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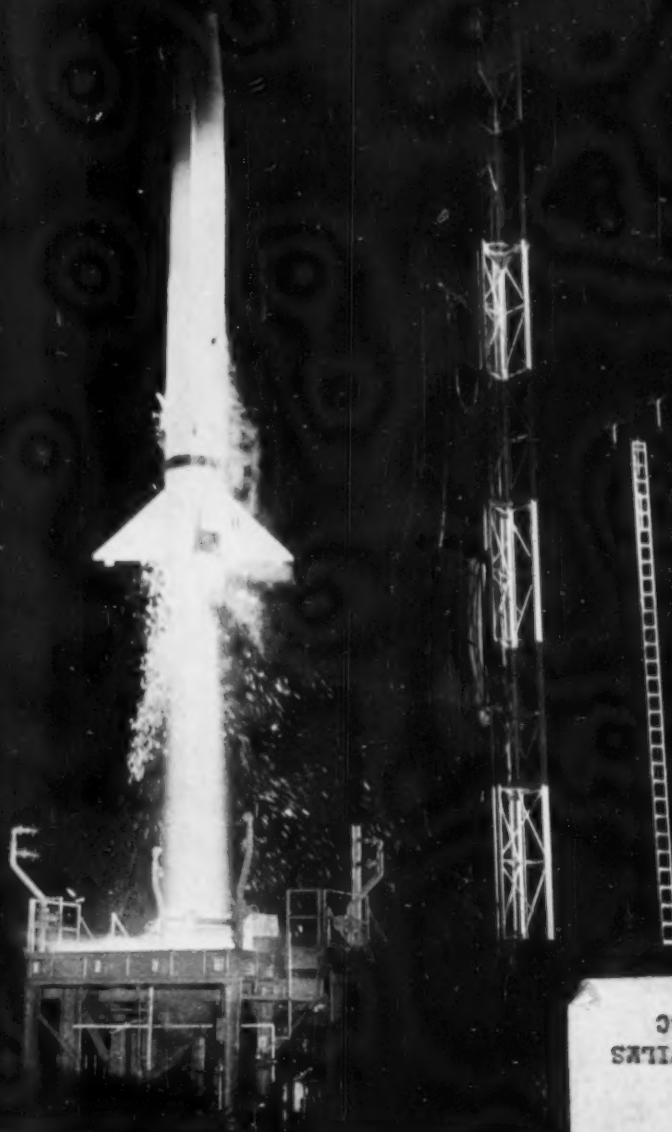
BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

TWENTY-FIVE CENTS

JULY 6, 1957

Tests of satellite rocket touch off International
Geophysical Year, science's big treasure hunt.
(Research)



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Eleven to One *but the odds now favor you*

Now modern lawn owners have a "great equalizer." Their weapon—the modern pesticide dieldrin! Not one of the eleven leading members of Grass Eaters Incorporated is immune to dieldrin—many other lawn insects also succumb.

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Dieldrin is used throughout the world with outstanding results against insects that feed on agri-

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Dieldrin has shifted the odds to favor man—a species greatly outnumbered by the many varieties of insect life. Helping lawn owners control insects with more potent pesticides is another way Shell Chemical helps make modern living more comfortable and pleasant.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

NEW YORK



GENERAL BUSINESS

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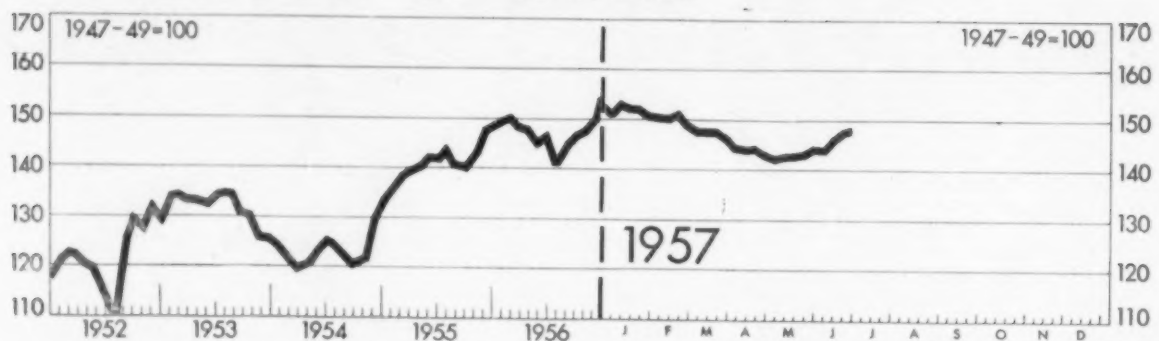
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BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
91.6	148.2	144.8	†147.9	*148.8

PRODUCTION

Steel ingot (thous. of tons)	1,281	302	2,240	†2,150	2,024
Automobiles and trucks	62,880	135,000	110,868	†151,151	157,399
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.)	\$17,083	\$73,382	\$62,530	\$67,886	\$66,762
Electric power (millions of kilowatt-hours)	4,238	11,498	10,936	12,337	12,111
Crude oil and condensate (daily av., thous. of bbls.)	4,751	7,034	7,418	7,238	††7,190
Bituminous coal (daily av., thous. of tons)	1,745	1,690	1,594	†1,723	1,713
Paperboard (tons)	167,269	281,606	261,684	275,348	272,591

TRADE

Carloadings: miscellaneous and L.e.I. (daily av., thous. of cars)	82	73	66	68	68
Carloadings: all others (daily av., thous. of cars)	53	60	54	56	57
Department store sales index (1947-49 = 100, not seasonally adjusted)	90	109	116	†129	119
Business failures (Dun & Bradstreet, number)	22	249	225	241	271

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100)	311.9	416.0	420.3	424.2	425.0
Industrial raw materials, daily index (BLS, 1947-49 = 100)	††73.2	93.7	93.2	92.9	93.2
Foodstuffs, daily index (BLS, 1947-49 = 100)	††75.4	79.6	83.9	84.4	85.5
Print cloth (spot and nearby, yd.)	17.5¢	18.8¢	17.9¢	17.9¢	17.9¢
Finished steel, index (BLS, 1947-49 = 100)	††76.4	158.2	174.4	174.3	174.3
Scrap steel composite (Iron Age, ton)	\$20.27	\$44.83	\$50.50	\$54.83	\$54.50
Copper (electrolytic, delivered price, E & M.J., lb.)	14.045¢	45.781¢	31.763¢	29.240¢	N.A.
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$1.97	\$2.09	\$2.22	\$2.17	\$2.28
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	**30.56¢	36.41¢	33.94¢	33.98¢	34.07¢
Wool tops (Boston, lb.)	\$1.51	\$1.77	\$2.22	\$2.22	\$2.22

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10)	17.08	47.09	47.34	47.12	47.57
Medium grade corporate bond yield (Baa issues, Moody's)	3.05%	3.78%	4.58%	4.67%	4.70%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	¾-1%	3%	3%	3%	3%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks	††45,820	56,210	55,149	56,276	N.A.
Total loans and investments, reporting member banks	††71,916	85,622	86,242	87,670	N.A.
Commercial and agricultural loans, reporting member banks	††9,299	28,845	31,077	32,463	N.A.
U. S. gov't guaranteed obligations held, reporting member banks	††49,879	26,582	25,878	25,633	N.A.
Total federal reserve credit outstanding	23,888	25,621	24,833	25,424	25,294

MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Private expenditures for new construction (in millions) June	\$803	\$3,030	\$2,808	\$3,012
Public expenditures for new construction (in millions) June	\$197	\$1,258	\$1,225	\$1,342
Consumer credit outstanding (in millions) May	\$6,704	\$38,919	\$41,015	\$41,707
Installment credit outstanding (in millions) May	\$3,174	\$29,763	\$31,532	\$31,901
McGraw-Hill Indexes of New Orders (1950 = 100)				
New orders for machinery, except electrical May	N.A.	151	142	142
Construction & mining machinery May	N.A.	177	166	148
Engines & turbines May	N.A.	162	129	148
Pumps & compressors May	N.A.	209	175	180
Metalworking machinery May	N.A.	149	160	154
Other industrial machinery May	N.A.	147	132	136
Office equipment May	N.A.	153	175	184
New contracts for industrial building May	N.A.	251	122	143

* Preliminary, week ended June 29, 1957.

† Revised.

†† Estimate.

** Ten designated markets, middling 1½ in.

N.A. Not available.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Black Star—104 (top lt. & bot.); Grant Compton—58, 64, 65; Dept. of Defense—cover; Stephen Goerl Associates—90; I.N.P.—104 (second down); New York Times—32 (top rt., bot. cen., & bot. rt.); 33; Oceanographic Labs—104 (third down); Palomar Observatories—104 (rt.); 105; Pittsburgh Steel Co.—31 (rt.); U. S. Steel Corp.—31 (lt.); W. W.—32 (top lt. & top cen.)

B.F. Goodrich report:

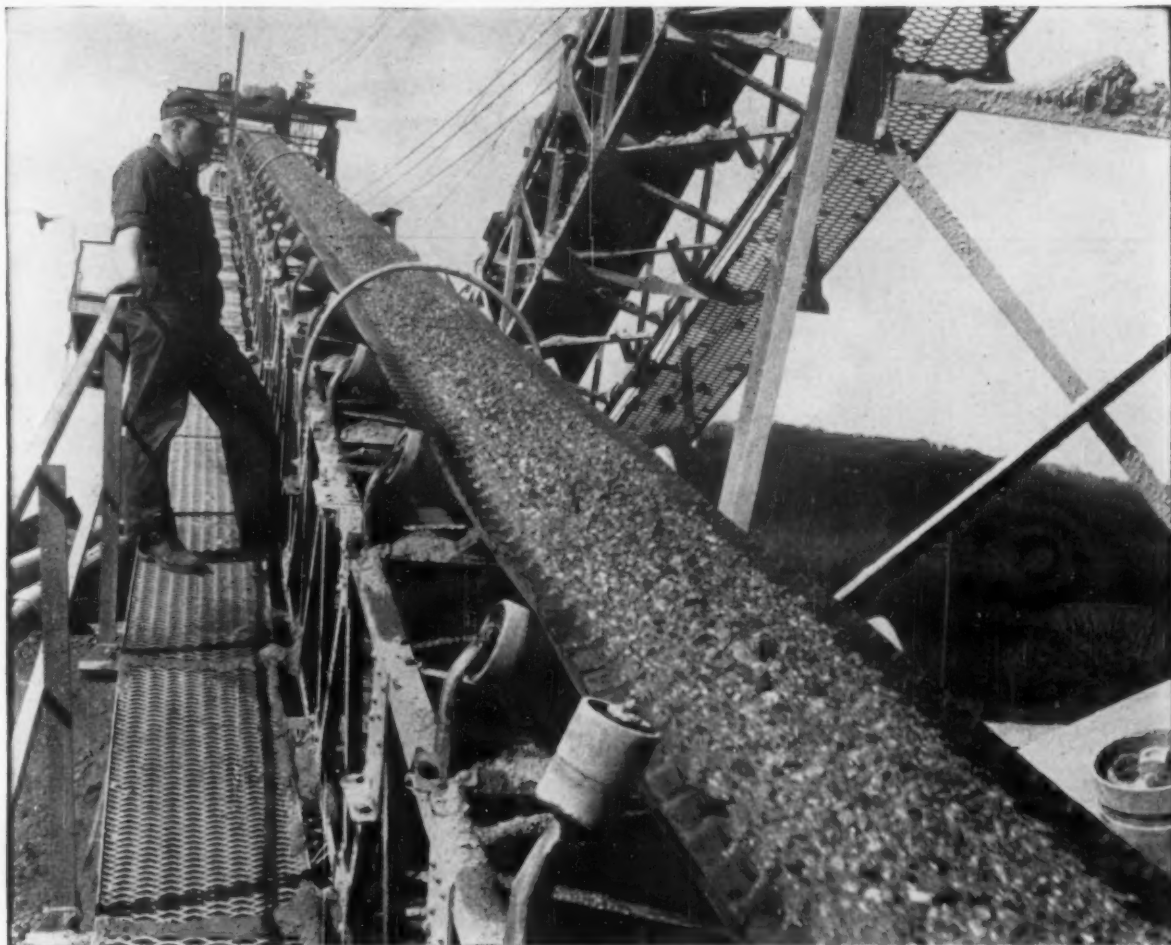


Photo courtesy Basic Construction Materials Division, Chillicothe, Ohio.

Rocks used to slide down faster than they went up

B. F. Goodrich improvements in rubber brought extra savings

Problem: Getting tons of sopping wet rock and gravel up that steep incline was causing plenty of trouble at this plant. When a regular conveyor belt was used, the wet gravel often washed down faster than the moving belt could carry it up.

What was done: Then a B.F. Goodrich man told the company about a special kind of belt, developed by B.F. Goodrich, to handle wet materials. This "Rifle Grip" belt, as it is called, is made with a series of extra-tough rubber ridges molded into the cover. The tread that these ridges form holds the

gravel in place, and at the same time, channels the water to the edges of the belt where it falls off.

Savings: This B.F. Goodrich belt was tried, and it works perfectly. The gravel flows smoothly uphill. More tons are handled with no slipping, no sliding, no problems of any kind.

Extra benefits: Another important feature is that just by using different angles of incline and troughing idlers, this same belt can carry such sloppy materials as wet mixed concrete and keep the water from draining away.

Where to buy: Your B.F. Goodrich

distributor has exact specifications for the B.F. Goodrich conveyor belt described here. And, as a factory-trained specialist in rubber products, he can answer your questions about all the rubber products B.F. Goodrich makes for industry. *B.F. Goodrich Industrial Products Co., Dept. M-991, Akron 18, O.*

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You can rely upon these sources for product reliability which assures correct mating fit between recess and driving point. This eliminates driver slippage and prolongs driver and bit life, improves product appearance and reduces your costs.



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READERS REPORT

A Great Help

Dear Sir:

I wish to commend your publication for its article Pricing System That Works Only One Way—Up [BW—Jun.15'57,p188].

This article is an excellent example of why BUSINESS WEEK is a great help in the teaching of economics.

STEWART LEE

DEPARTMENT OF ECONOMICS
 AND BUSINESS ADMINISTRATION
 GENEVA COLLEGE
 BEAVER FALLS, PA.

Why Not?

Dear Sir:

Your informative article on the specialist [BW—Jun.22'57,p66] left me with one restive question. The several references to coin flipping makes me suspect the exchange is not the perfect market it is often portrayed. Why not another round of bids to determine which broker gets the order? If I were placing a sell order "at the market," I would like to think that I would get the highest possible current price. To dispose of the stock by coin flipping between equal bidders is to do a disservice to the absent principal.

LEONARD A. O'CONNOR
 CROMWELL, CONN.

Four Letter Word

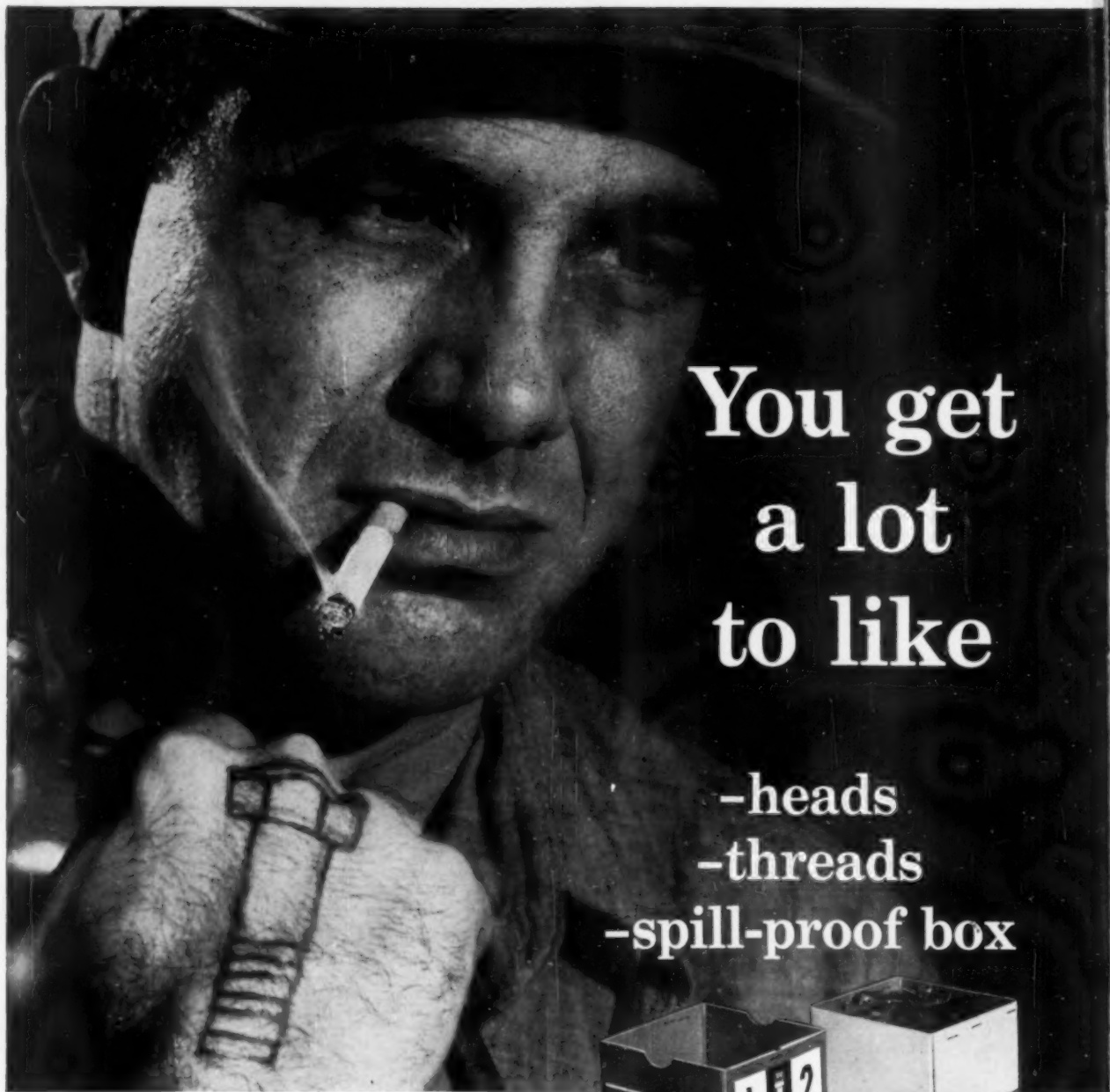
Dear Sir:

If Reader Edward W. S. Calkins of Winnsboro, S. C., [BW—May25'57,p18] bought his personal insurance from this company, he could make his checks out this simple way:

"Pay to the Order of
 MONY"

MONY stands for Mutual Of New York. The full corporate title is . . . as Reader Calkins suggests . . . a "mouthful"—The Mutual Life Insurance Company of New York. We recognized, as he does, that it sometimes is difficult to distinguish among the names of insurance companies . . . there are more than 60 in the life insurance field which use the word "Mutual" in their titles.

We tried to do something about the problem . . . to provide us with a name that would be easy for policyholders to use and remember . . . easy for the general public to recognize . . . one that



You get
a lot
to like

-heads
-threads
-spill-proof box

(and the man is smoking a Marlboro)



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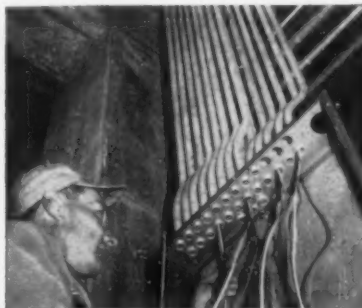
and threading are periodically checked for accuracy. You get clean full-depth threads, and true, full-size heads for trouble-free wrenching and maximum holding power.

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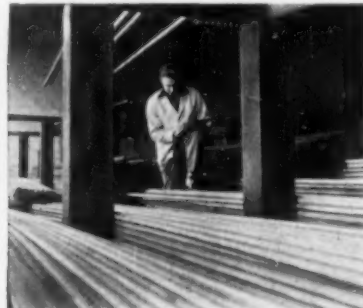
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WHAT MAKES CHESSIE'S



RAILROAD GROW?

One of a series telling what Chesapeake and Ohio is doing to make this a bigger, better railroad.

How do you keep track of 93,000 kittens?

Chessie's "kittens" are the 93,000 freight cars owned by Chesapeake and Ohio. At the same time, a daily average of 26,000 "guest" cars owned by other railroads move over C&O.

Shippers realize how important it is to know where their cars are at any particular time. Now, with its new Car Location Information Center—CLIC for short—Chesapeake and Ohio can tell them exactly. CLIC's 25,000 miles of servicing wires—the world's largest transportation teletype network—brings shippers the most modern systemwide car reporting methods.

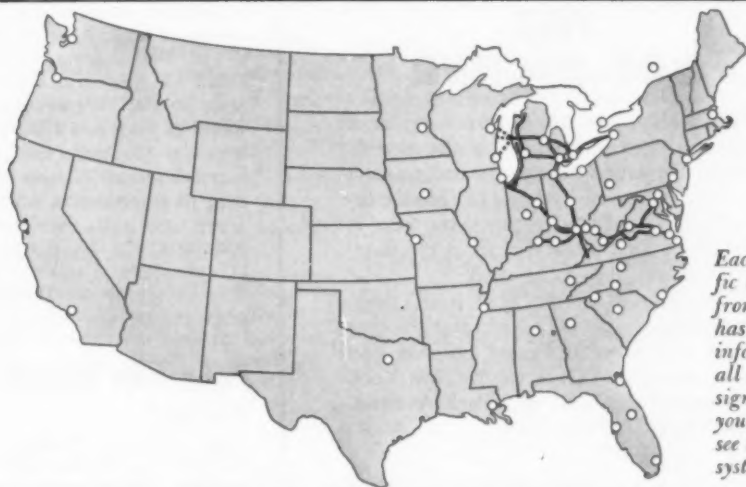
Here's how it works:

As soon as a freight car moves through a classification yard or passes a major junction point

on the C&O, CLIC knows it. At the Center the information is automatically recorded both in printed form and on tape. Then the CLIC machines take over, automatically teletyping to each of Chesapeake and Ohio's 56 district traffic offices the location of every car in which that office is interested.

Chessie's customers at both the originating and destination points can depend on quick, accurate car information through C&O's new electronic reporting system.

The new Car Location Information Center is another example of C&O's willingness and ability to develop fresh techniques to keep Chessie's railroad growing and going—for better service to shippers.



Each of C&O's 56 freight traffic offices, from coast to coast, from Canada to Florida, now has up-to-the-minute teletyped information on the location of all cars shipped from, or consigned to, its territory. Contact your nearest traffic office and see how this new car reporting system works for you.

Would you like a copy of a new booklet describing CLIC? Just write:

Chesapeake and Ohio Railway

3804 TERMINAL TOWER, CLEVELAND 1, OHIO

ANOTHER IN A SERIES about a partner in your business



Ever look at a printed picture, or so-called "halftone," under a microscope? The one printed above is composed of nearly 250,000 tiny dots. In four-color, such as you see on the cover of this magazine, there would be a separate set of dots for each primary color (red, yellow, and blue) plus black, overlapped and juxtaposed to give the appearance of full color. Much of this is done mechanically and photographically with cameras and color-separation lenses. But the final snap and sparkle of a beautiful color reproduction often comes from the painstaking craftsmanship of the Dot Etcher — who adjusts the size and form of these tiny dots by "etching" the halftone film "positives" with special solutions.

A good Dot Etcher is one of the most sought-after, highest-paid craftsmen in American industry. He must have a faultless sense of color, perfect judgment of tonal shadings and a thorough knowledge of the lithographic process.

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THE DOT ETCHER

Dot Etching, like photo engraving or a score of other occupations in the graphic arts, is like wine-making. The end product is never improved by haste or inferior ingredients. Good lithography takes time. It also takes good quality, right at the start, in the illustrations to be used.

The moral is simple. Call your lithographer in early; get his advice; and give him plenty of time to do a good job. Ask him about paper, too. Or write the New York & Pennsylvania Co., 425 Park Avenue, New York 22, New York.

New York and Penn

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ENGLISH FINISH LITHO • SUPER • CLARION PAPERS • DUPLICATOR • MIMEOGRAPH • BOND • TABLET

would give us an identity distinct from any other company in our business.

The answer was to shorten the title to Mutual Of New York . . . then abbreviate that to the four first letters, MONY.

And that's the way people see the name in ads and publicity . . . on policy forms, letterheads, premium notices . . . on nearly every communications device, including the illuminated signature beneath the weather star atop our home office building.

Most people pronounce the abbreviation as they pronounce "money". That's just fine with us . . . because MONY's business is, in essence, selling money for future delivery.

JOHN P. BRION

ASSISTANT DIRECTOR OF PUBLICITY
MUTUAL OF NEW YORK
NEW YORK, N. Y.

Franklin Again

Dear Sir:

Re: Life Insurers Face New Rivals [BW—Jun.8'57,p80]. While "Life" appears in the heading, your article deals with all types of insurance and I believe it is in order to correct your statement as to the date of the beginning of insurance in the United States.

It is generally acknowledged that in 1752 Benjamin Franklin and other civic-minded citizens of Philadelphia organized The Philadelphia Contributionship and this fine mutual company has since been continuously in operation and is considered one of the strongest insurance companies in the world.

The Philadelphia Contributionship then was formed seven years prior to the "corporation for the Relief of Poor and Distressed Presbyterian Ministers and the Poor and Distressed Widows and Children of Presbyterian Ministers."

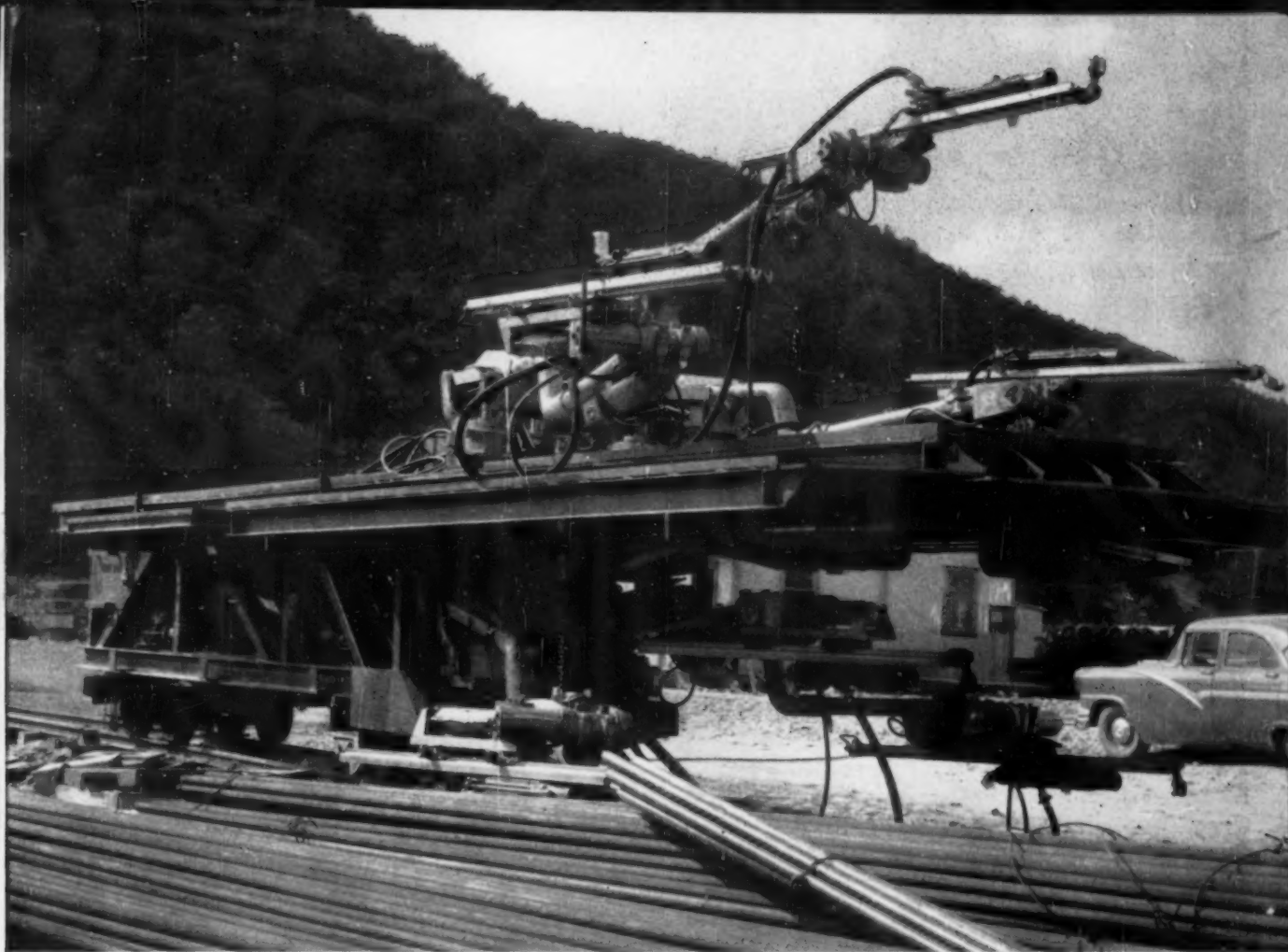
L. N. CHRISTENSEN

PRESIDENT
LUMBERMENS & MANUFACTURERS
MUTUALS OF WISCONSIN, INC.
MILWAUKEE, WIS.

Fishermen Beware

Dear Sir:

In Personal Business [BW—Mar.30'57,p169] the editor recommended carbon tetrachloride for cleaning reels for fishing lines and for stripping fishing lines of dressing . . . carbon tetrachloride is one of the most toxic solvents on the market today. It must be used with adequate ventilation and with pro-



Gardner-Denver "Jumbo" drill carriage, booms and drills on site of 44-mile water tunnel.

BUILDING FOR THE THIRSTS OF 2000 A.D.

New York City's water needs in the year of 2000 may seem far off to most people—but not to the New York City Board of Water Supply. Its 44-mile water tunnel, starting at a reservoir on the Delaware River, will help to meet the demands of that remote time—by boosting the city's supply to 1820 million gallons daily.

Scheduled for completion in the 1960's, the big tunnel is being pushed through difficult Catskill sandstones with the aid of Gardner-Denver. Con-

tractors on the West Delaware Tunnel are using 18 different kinds of Gardner-Denver equipment. That includes rock drills for blast holes, air compressors, power pumps, grout pumps, sump pumps, air hoists and tampers.

Now nearing its 100th year of achievement, the Gardner-Denver Company is keeping the pace of progress in the country's major projects and industries. *Gardner-Denver Company, Quincy, Illinois.*



Plates for stabilizing the tunnel are quickly set in place with the aid of this Gardner-Denver roof bolt stoper.

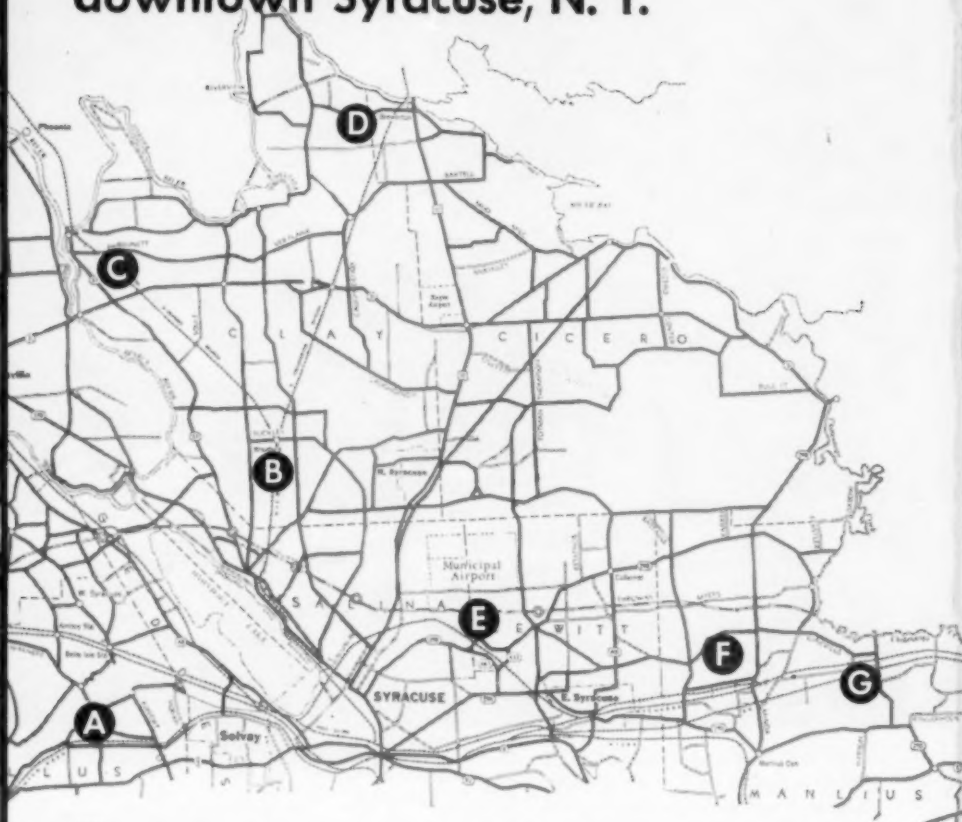


ENGINEERING FORESIGHT—PROVED ON THE JOB
IN GENERAL INDUSTRY, CONSTRUCTION, PETROLEUM AND MINING

GARDNER - DENVER

SEVEN LARGE PLANT SITES

within 15 miles of
downtown Syracuse, N. Y.



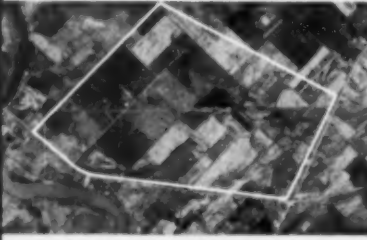
B LIVERPOOL, N. Y.



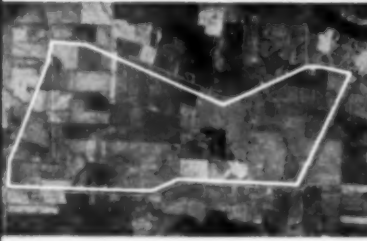
A CAMILLUS, N. Y.



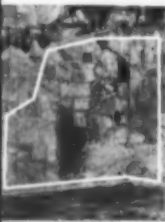
B SYRACUSE
(De Witt), N. Y.



C PHOENIX (Three Rivers), N. Y.



D BREWERTON, N. Y.



F MINOA, N. Y.



G KIRKVILLE, N. Y.

YOUR PLANT, warehouse or branch located on one of these properties will be in the geographic center of New York State. It will be in an area of well-balanced communities right in the hub of a great industrial empire.

A new brochure "Greater Syracuse Industrial Sites" brings you plant-site data and illustrations on seven highly desirable locations.

These industrial sites, as well as other properties available in communities in the general Syracuse area, are served by the New York Central Railroad, providing rail transporta-

tion in all directions. The New York Thruway can be readily reached by good connecting roads. A large pool of both skilled and unskilled male and female labor is available in the immediate area. These locations offer excellent community life and living accommodations.

New York Central Railroad Industrial Development Department has helped thousands of businessmen locate plants and warehouses in the territory served by the Central's network. Let us help you find a Central location that meets your requirements.

Route of the "EARLY BIRDS"—the one-day faster freight service

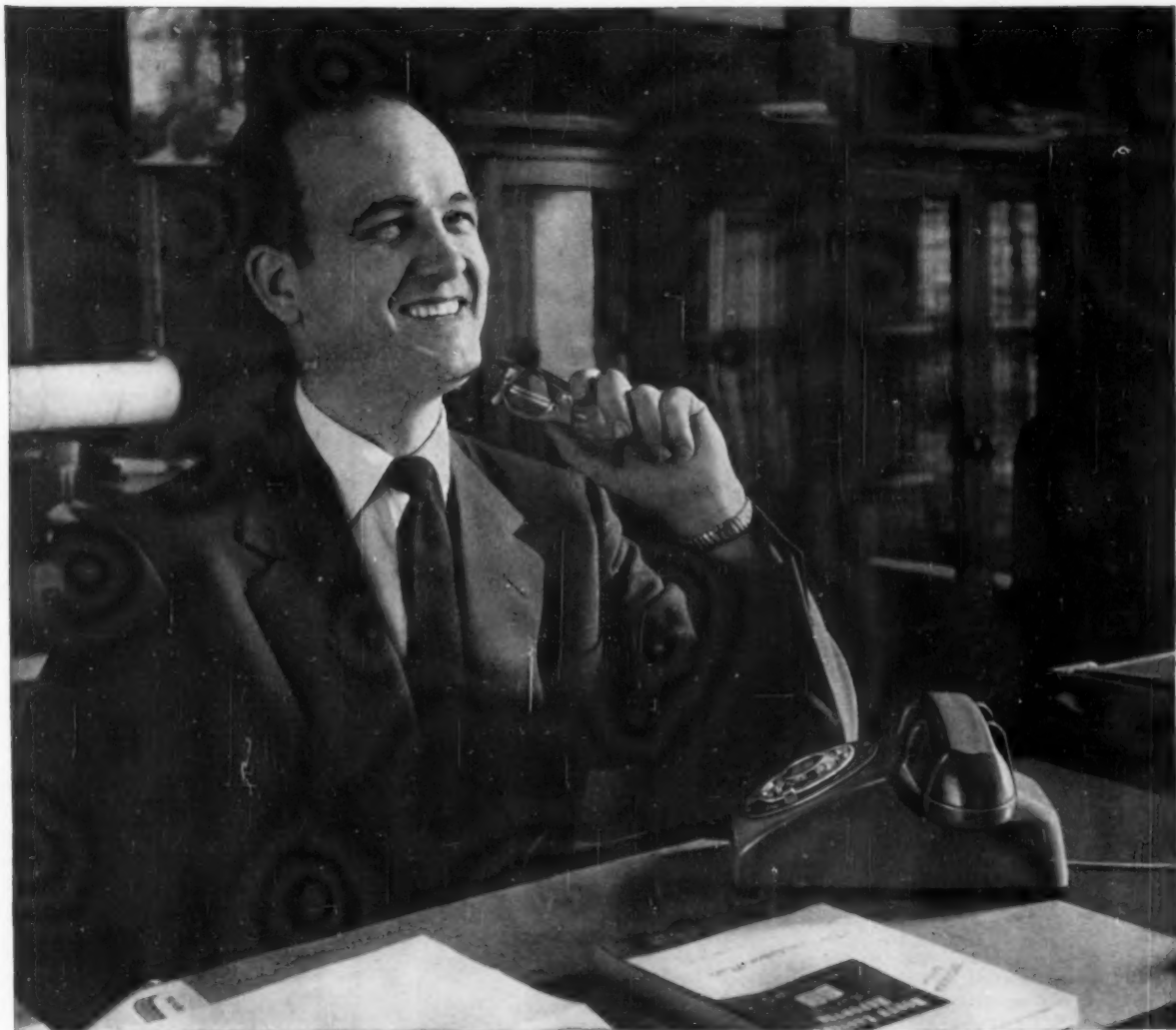
New York Central Railroad

Send for illustrated brochure—today—No obligation

A copy of "Greater Syracuse Industrial Sites" brochure will be sent to executives, free of charge, when requested on a business letterhead.

Write to: Industrial Development Dept. C, New York Central Railroad, 466 Lexington Avenue, New York 17, New York.





Lawyer talks with client in England by transatlantic telephone

"As simple and satisfying as a call right here in town"

It's easy today to keep in *personal* touch by telephone with friends, family and business associates overseas.

Here's how Mr. Raymond Woodward, New Albany, Indiana, attorney, describes a recent talk with a client in London:

"I was thrilled to think I could talk from the middle of the North American continent to a person in

England—but most of all I was amazed to discover how easy it is.

"It was just as simple and satisfying as a call right here in town."

Next time you have a business or personal matter to settle abroad, reach for the telephone. You'll find that talking overseas is a memorable experience. It's easy to do. And economical. Just tell the operator where you want to call.



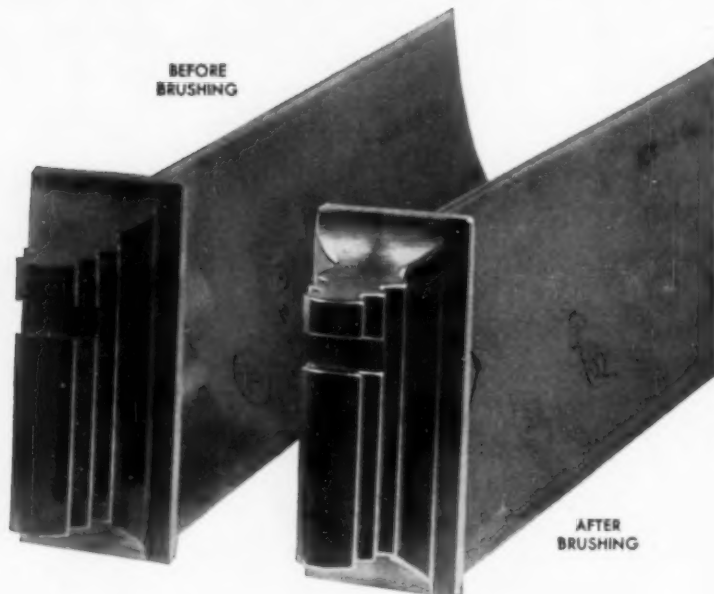
You can cross the ocean for \$12 by telephone

This is the daytime rate for the first three minutes from anywhere in the United States, not including the 10% federal excise tax. It applies not only to Great Britain, but to 27 countries in Europe. In most cases the rate is lower at night and on Sunday.

BELL SYSTEM OVERSEAS TELEPHONE SERVICE



OSBORN® BRUSHING METHODS worthy of your confidence



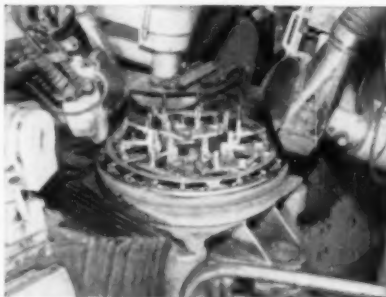
Root of a Production Problem

...solved with Osborn Power Brushing

YOU'RE looking at the root end of a turbine blade for jets... one of hundreds that go into every engine. Size and surface finish of the root must be held to exacting precision for perfect assembly and highest ultimate strength. Yet production costs must be down to earth.

Utilizing Osborn's power brushing method, jet blades are held in a fixture and traversed past Osborn Fascut® Brushes. In one simple operation, all minute burrs on the root end are removed, surface junctures are blended eliminating sharp corners where stress concentrations might occur. Results are uniform, dependable... at a high rate of production. The operator has only to load and remove parts.

An Osborn Brushing Analysis will show you how Osborn Power Brushing can simplify your metal-finishing operations. Write *The Osborn Manufacturing Company, Dept. A-100, Cleveland 14, Ohio.*



Osborn Brushomatic 51-3L with three brushing beads finishing root ends of jet blades.

Send TODAY
for the new
20-page
Brushomatic Booklet

Osborn Brushes®

BRUSHING METHODS • POWER, PAINT AND MAINTENANCE BRUSHES
BRUSHING MACHINES • FOUNDRY PRODUCTION MACHINERY

tection from absorption through the skin. Adequate ventilation in this case means mechanically exhausted booths, not available in the home. This solvent is responsible for more deaths from home usage than any other. . . .

J. D. VADEN

WHITTIER, CALIF.

After-Dark Accidents

Dear Sir:

In suggesting the causes and offering some cures in your traffic safety article [BW—May 25 '57, p191], you fail to mention one factor that has long been overlooked but now is being recognized as a serious contributing cause in a frightening majority of accidents: darkness.

After-dark accidents in the United States last year accounted for close to 56% of all fatalities, although traffic counts show that there are only one-third as many cars on the road after dark. According to the National Safety Council, about three times as many accidents occur after dark as during daylight hours, based on vehicle mileage ratios.

Motorists, not aware of the drastically reduced field of vision after dark, tend to drive slightly faster (about two miles an hour faster, according to one study of just over 10,000 automobiles) after dark. Unfortunately, the average driver does not realize that he cannot see most hazards at night, even with good headlights. Traffic engineers are working to make hazards more visible after dark, but the drivers must also recognize the dangers of darkness and drive accordingly.

J. A. VAN DER LAAN

CHICAGO, ILL.

Unique Plant

Dear Sir:

I read with great interest your article regarding the progress of industry in Louisiana [BW—Apr. 20 '57, p126].

You have omitted the Sugar Cane Wax Refinery at Gramercy, La., which is jointly owned by the Cuban American Sugar Company and S. C. Johnson & Son, Inc. This refinery is a great pioneering center of the vegetable wax industry and the only plant of this kind in the world.

MAURY BLOCH

VICE-PRESIDENT
WARWICK WAX CO., INC.
LONG ISLAND CITY, N. Y.

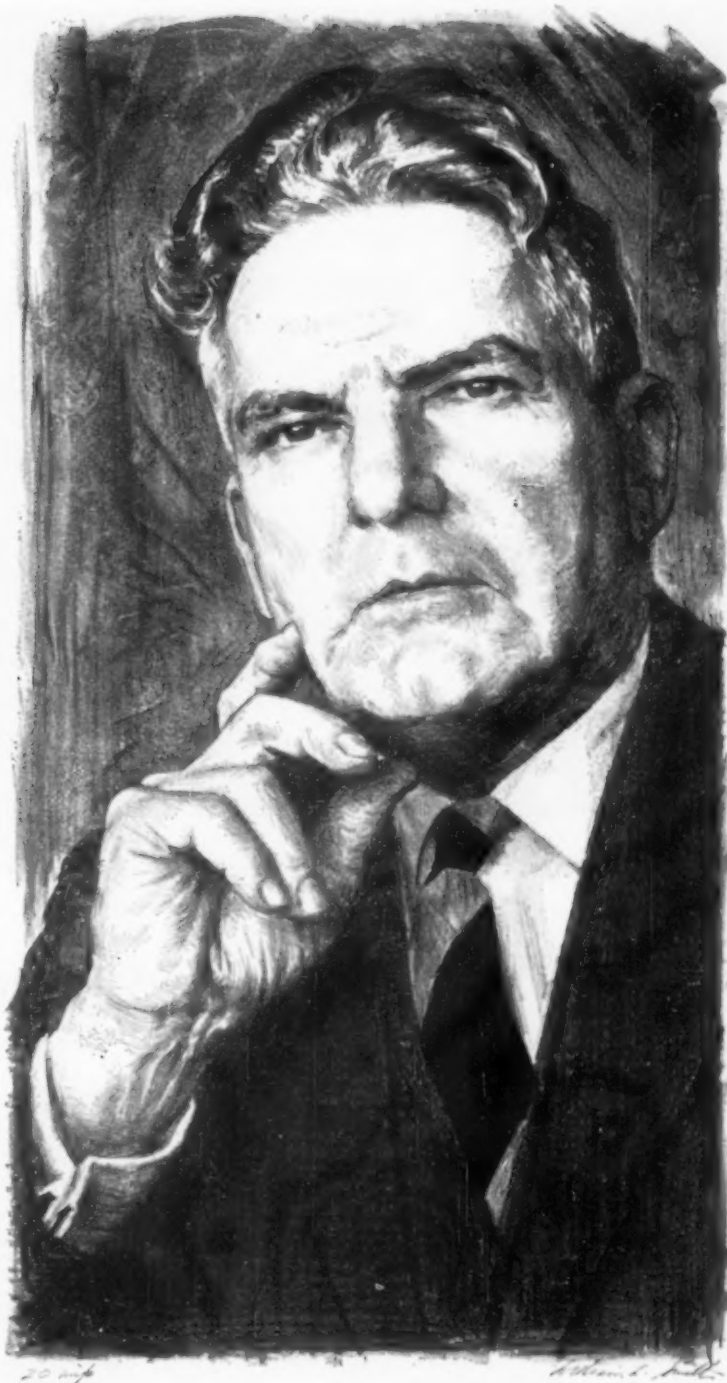
Project: Growth

INTRODUCING ONE OF THE

USI BILLION DOLLAR BOARD

WARREN LEE PIERSON, Chairman of the Board, Trans World Airlines, Inc.; President, International Chamber of Commerce (1955-1957); President, Export-Import Bank (1936-1944).

One characteristic of USI's Board is its wealth of international experience. An important asset, this, as USI does a sizable volume of business overseas. For example, *Clearing Division's* giant presses are today manufactured in Europe as well as the U. S. A. and are distributed in important countries around the world. The *Axelsson* and *Garrett Divisions* produce oil field equipment for foreign firms everywhere. The future? An ever-increasing share in America's world-wide trade!

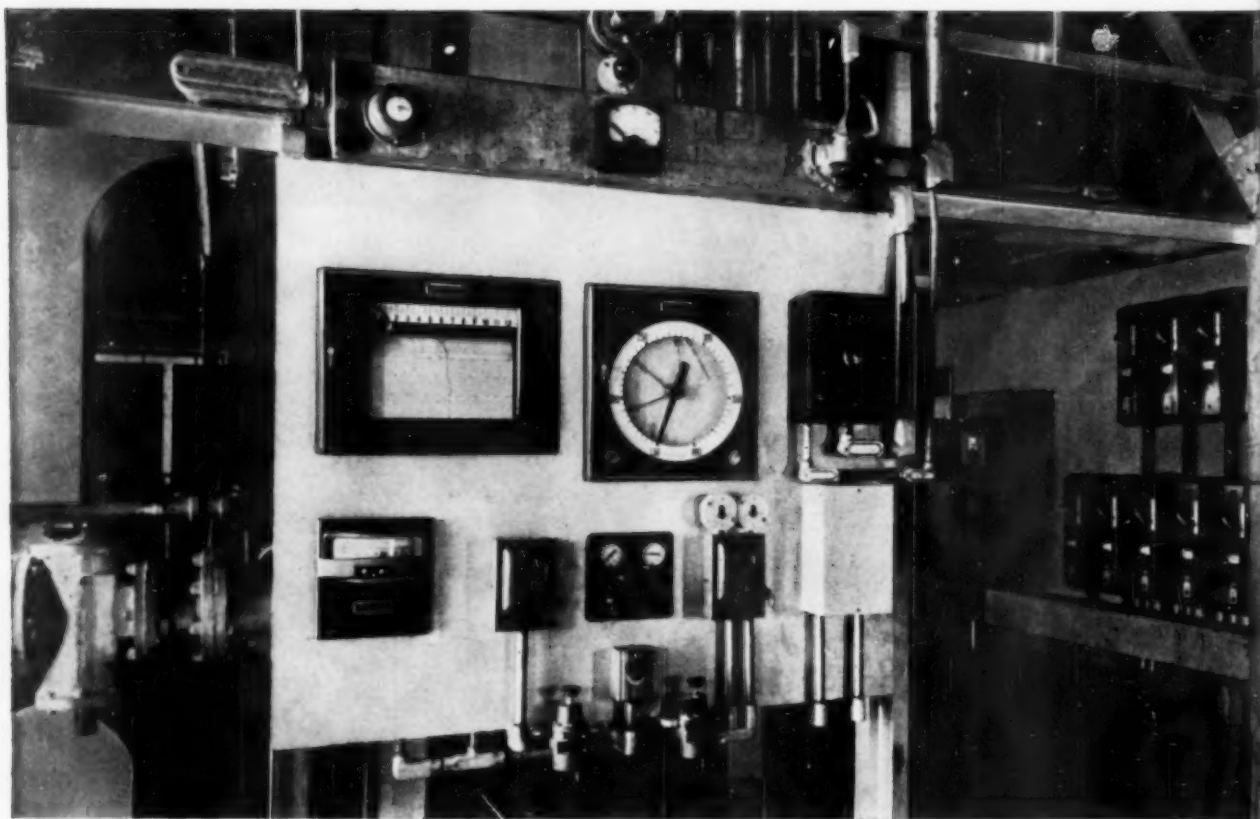


DIVISIONS: Axelsson Manufacturing Company • Chicago Steel Tank Company • Clearing Machine Corporation • Conduit Fittings Corporation • Garrett Oil Tools, Inc. • Ordnance Division • Solar Permanent Company • Southern Pipe & Casing Company • USI International • Western Design & Manufacturing Corp. • SUBSIDIARIES: General Equipment Corp. • Koppel (Philippines) Inc. • U.S.I. Technical Center, Inc.—Kett Corp.

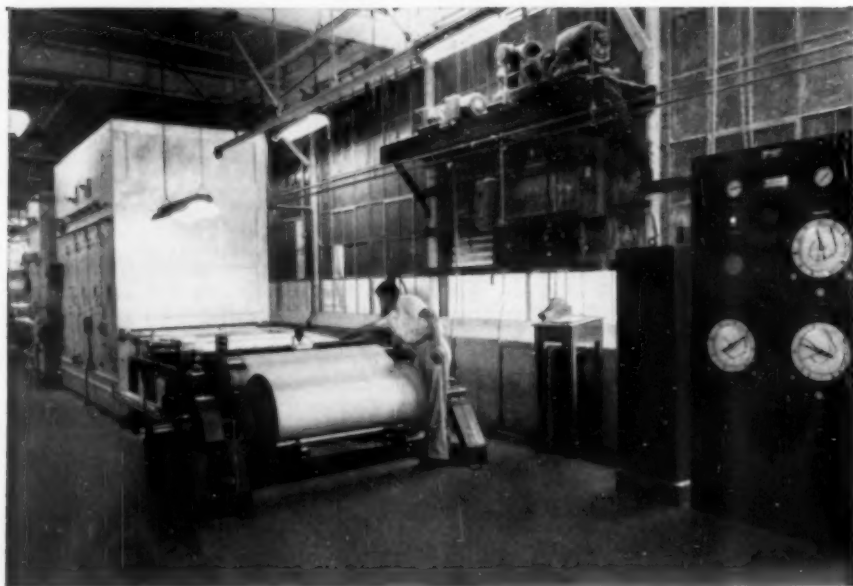
KEEP YOUR EYE ON USI
U.S. Industries, Inc.



250 PARK AVENUE, NEW YORK 17, N. Y.



Extra productivity is



In Textile Manufacture

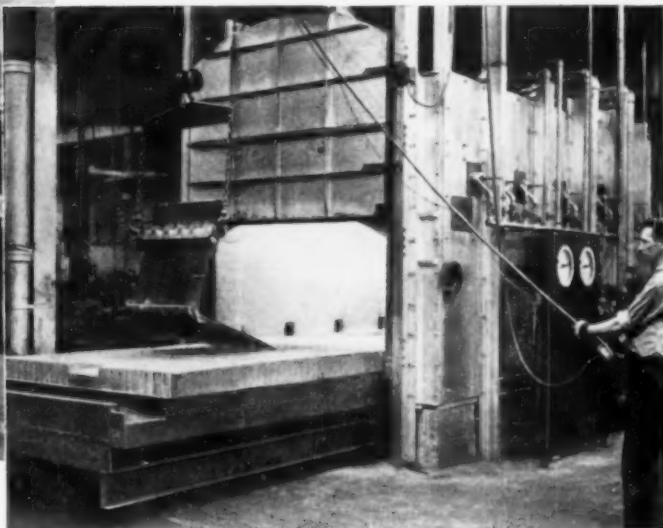
A hot air slasher with a Honeywell constant speed control system was installed by Avondale Mills at its Catherine Mill, Sylacauga, Alabama. This paid off in two ways—an increase of 3% in production, and an improvement in product quality.

In Clay Production

Honeywell instruments on a new spray dryer at the Thiele Kaolin Company's plant in Sandersville, Georgia, up production 10 to 15%. As an additional benefit . . . Honeywell controls limit the high heat, protecting Orlon filter bags from destruction.

In Metal Fabrication

400% increase in production potential resulted when Yale and Towne Manufacturing Co., Philadelphia, Pa., installed this Honeywell-instrument-controlled car-type furnace in their Heat Treating Department.



one of many dividends

with HONEYWELL instrumentation

Modern methods of measurement and automatic control can help you raise output by improving operating techniques . . . eliminating rejects . . . making more effective use of manpower.

Instrumentation is being put to work in practically every known industry . . . from steelmaking to cosmetics preparation . . . from processing chemicals to imprinting bottle caps. The results—economical operation, increased profits, and high product quality. It can work for you, too.

Whether you're building an entire new plant, bringing your present plant equipment up to date, or just modernizing a single production unit, Honeywell instrumentation can keep operating costs down . . . can be a profitable investment for you.

Ask Honeywell, the world's largest maker of automatic controls, to show you how and where instrumentation can improve your operations.

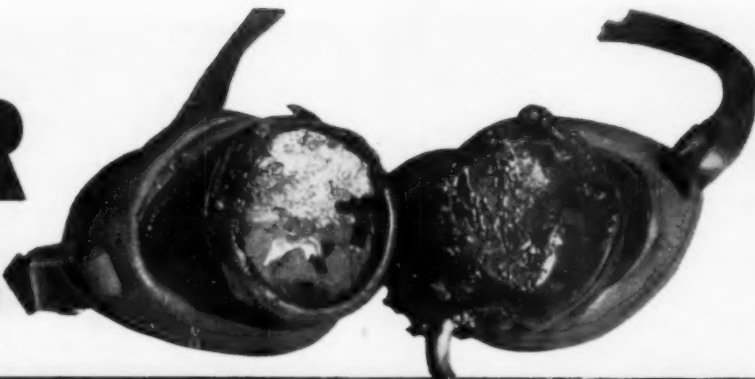
MINNEAPOLIS-HONEYWELL REGULATOR Co., *Industrial Division*, Wayne and Windrim Avenues, Philadelphia 44, Pa.

Honeywell

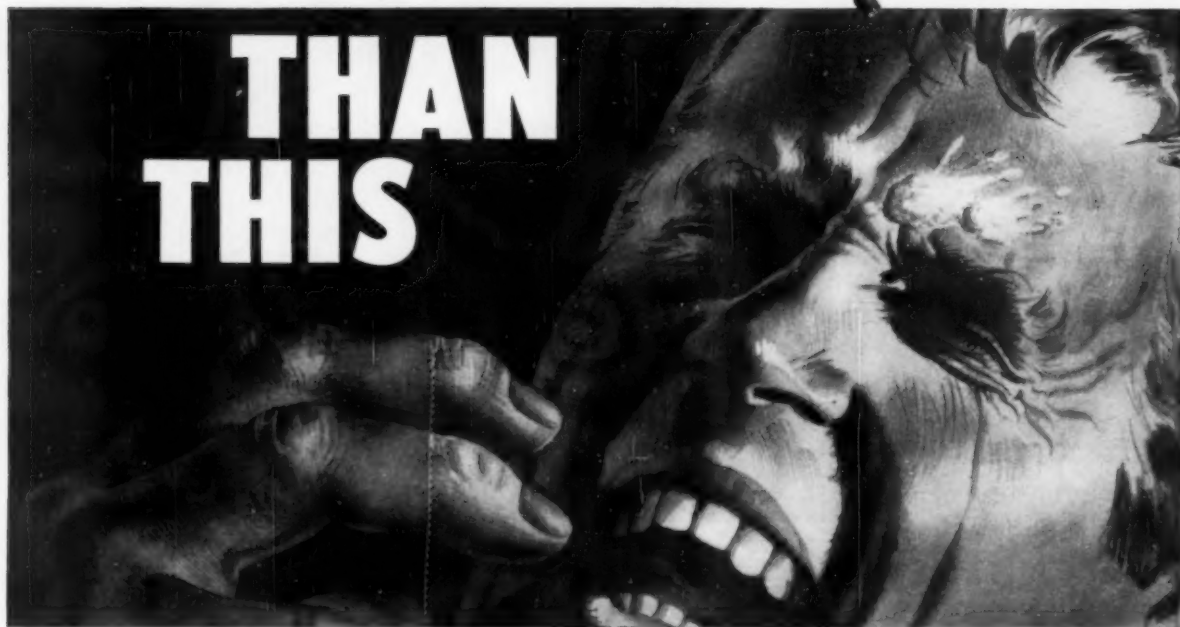


First in Controls

BETTER THIS



THAN THIS



*"Eye Protection at Inland Steel Company Pays Off,"
states J. L. Ridinger, Director, Safety & Plant Protection*

"Our eye protection, like our entire safety program, is of such great importance that many of our modern methods could not be used without it. Safety goggles pay off so frequently that many instances are not even reported. Results are in both human suffering prevented and in money saved."

Note goggles in photo upper right. Operator was on pouring stand when ingot erupted and molten metal struck him. "His cup goggles were melted 'like spa-

ghetti' and no doubt saved his vision."

The Indiana Legislature has increased Workmen's Compensation benefits as of April 1, 1957 as follows:

Loss of sight (one eye)	
150 weeks	\$5,400
Any part of total of 26 weeks	936
Medical costs	800
	<hr/>
	\$7,136
Loss of both eyes plus medical	\$15,800

Thus by preventing just one accident Inland Steel saved two eyes and \$15,800 at current costs. (Actual Costs would have been somewhat less if accident had actually happened in 1956.)

Prevention of accidents like this can only be accomplished with *quality* equipment such as offered by American Optical Company. For a sound program *that works* call your nearest American Optical Safety Representative or write us at Southbridge, Massachusetts.

Always insist on
® Trademarked
Lenses and Frames

American Optical
COMPANY
SAFETY PRODUCTS DIVISION

SOUTHBRIDGE, MASSACHUSETTS
BRANCHES IN PRINCIPAL CITIES

BUSINESS OUTLOOK

BUSINESS WEEK

JULY 6, 1957



There were prices in the news this week that want watching. Not just the boost for steel (page 30), but a moderate upturn in government bonds and cuts in nonferrous metals as well.

And prices can get the attention they deserve, for these are the **dog days for production** with hot weather, vacations, and a certain amount of slack in demand for manufactured goods of many sorts.

—•—
It's a good idea to keep a sharp eye on **government bond prices**.

Probably these mean little or nothing to you as a businessman. But they are a **weather vane for money and credit**. Any lasting improvement in quotations, after the recent steep drop, could signal a shift to a slightly easier policy by the Federal Reserve Board.

Washington is still fighting inflation but isn't oblivious to the strain it is putting on corporations needing money (page 25).

—•—
Metal fabricators had only begun to study the new steel price schedules on Monday when they got news of another sort.

Custom smelters in this country **shaded both copper and zinc by half a cent a pound**—a move foreshadowed by new weakness in London.

Copper now sells in London for **less than half what it was fetching a little over a year ago**. In March, 1956, the red metal went for more than £440 a long ton; this week it fell below £215.

And even the new prices here were above London equivalent.

Producers of nonferrous metals, here and abroad, have cut production in the hope of maintaining some semblance of order in prices.

There have been progressive reductions in this country. Rhodesian mines, a principal United Kingdom source, have trimmed. And Chile was considering a curtailment at midweek.

On the demand side, American copper producers are mildly hopeful.

They've been in their private slump for 15 months. Customers' inventories, they feel, must be getting short. Yet they expect hand-to-mouth buying at least till Detroit gets its new-model year under way.

—•—
Steel's price increase, incongruously enough, came on the eve of the **poorest production week of the year to date**.

The industry is scheduled this week just short of 80% of capacity.

There's no surprise to this, of course. Everyone was expecting July to be a slow month. And, even though steel furnaces aren't banked for holidays, the Fourth of July is making its dent just the same.

—•—
Auto dealers apparently reduced the inventory of new cars by 60,000 or so last month. Yet the cleanup won't be any cinch.

Going by present indications, there are at least as many cars on hand now as there were a year ago. And it took a bit of selling to move the nearly 700,000 in sight last July 1 before new models came out.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

JULY 6, 1957

Production of new cars during June was the lowest of the year. Yet the month's 496,000 topped the year before by 15%.

And the half-year weighed in a little heftier, too. Output of roundly 3,370,000 autos was ahead of the 1956 period by just over 175,000.

But retail sales have lagged a bit in recent weeks; registrations probably fell just short of last year's 3.1-million.

Ford remains a nose ahead of Chevrolet in the 1957 output race. However, Chevy produced at an ever so slightly higher rate in the last few days of June—and looks to new models to win back the top spot.

Installment credit for car purchases—new and used—in May had its largest increase of the year, new Federal Reserve Board figures show.

New loans exceeded repayments for the month by almost \$200-million.

This brought the five months' gain to just over \$400-million.

Time-payment debt covering all sorts of purchases climbed to a new high of \$31.9-billion in May (surpassing last Christmas' record of \$31.6-billion for the first time).

Auto credit made up nearly \$14.9-billion of the total.

Aircraft manufacturing looks to be in a decline that will at least partly neutralize autos' upturn late in the year as an employment factor.

Autos, trucks, railway rolling stock, and aircraft are lumped into the big category of "transportation equipment" in government figures. And plane output (aided by freight cars) has kept this category strong.

But **emphasis on missiles** was sure to be felt by aircraft sooner or later. And now it's sooner, due to Washington's economy wave.

The aircraft slowdown may cut volume \$1-billion in 12 months.

North American Aviation, even though it enjoys a strong position in the field of rocket engines, revealed this week that **its employment hit a top** last yearend. Since then, there has been a small decline and somewhat larger layoffs are expected in coming months.

This experience may be more or less typical of the industry at large.

Shoe producers enter the second half with high hopes of beating last year's production record of 592-million pairs.

Output for the first half ran 308-million pairs, the National Shoe Mfrs. Assn. estimates—a fraction of a percentage point above 1956. Even a small gain is welcome, though, for the first quarter last year was fattened by inventory building to beat the increase in minimum wages.

Homebuilding, by next year, could emerge again as a strengthening factor in the economy. Its shakedown, by then, will have run two years.

But don't look to this week's new housing legislation to speed the turn-about; the lower downpayments won't mean much because **mortgage lenders today just aren't interested** in that kind of proposition.



(Illustration Courtesy of the U. S. TREASURY DEPARTMENT)

Did you know this billboard space is free?

Last year, public service posters like the one illustrated above, appeared on billboard space contributed by the outdoor advertising industry. These posters were seen over 14-billion times from coast-to-coast.

Bill posting presents another exacting use for adhesives. 24-sheet posters are put up section-by-section. Adhesives must first provide a soft bond that gives the billposter the slippage and time needed to slide each section into proper alignment. Then they must bond firmly to paper, metal and all kinds of printed surfaces and hold tight against the extremes of all seasons, all climates.

National, the principal supplier of poster adhesives through its Bloede Division, is also a major producer of industrial adhesives through chemistry—a result of selective research and development.

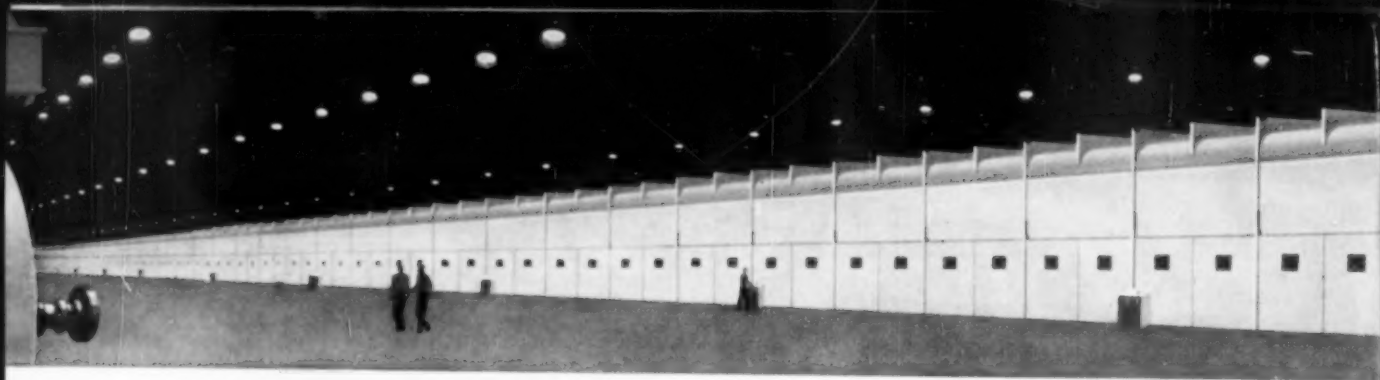
STARCHES

National

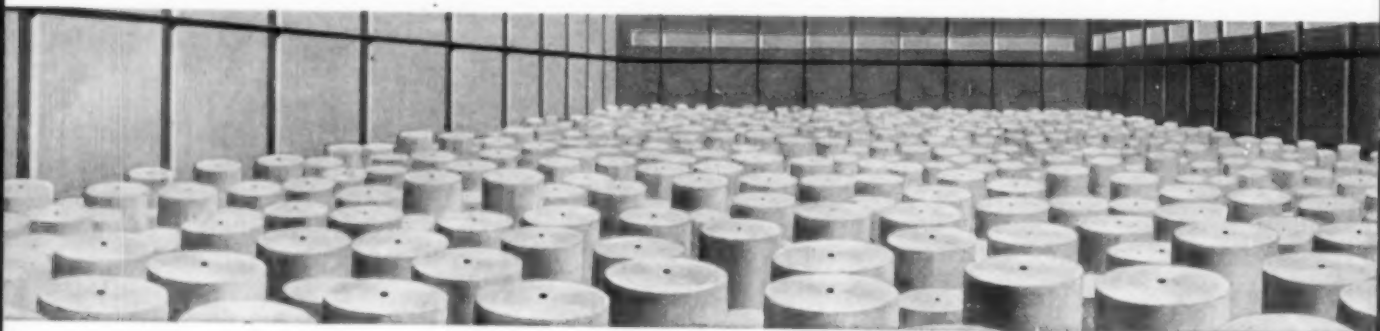
ADHESIVES

RESYNS®

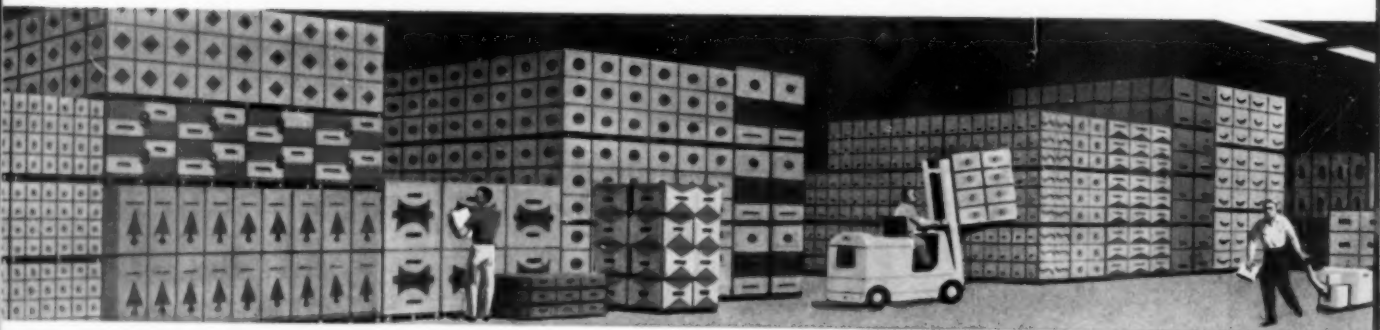
NATIONAL STARCH PRODUCTS INC., 270 MADISON AVE., NEW YORK 16, N. Y.



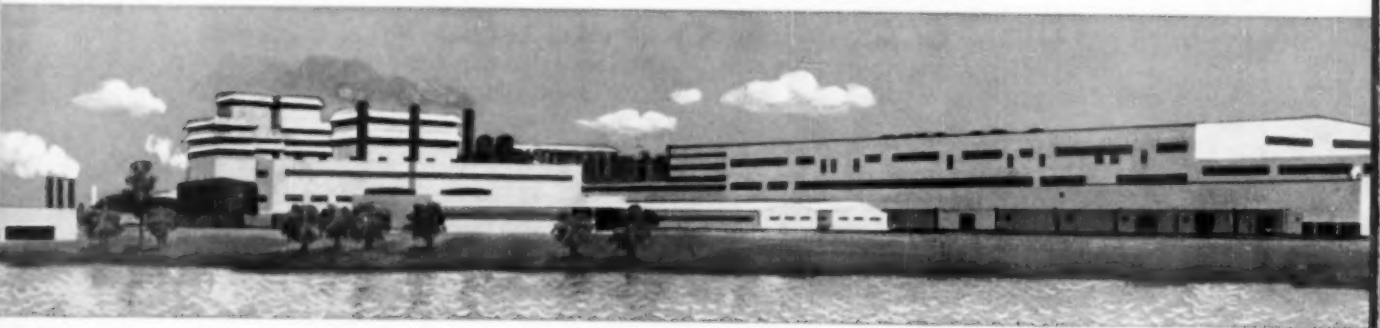
A giant machine that makes 1,000




a new warehouse that stocks



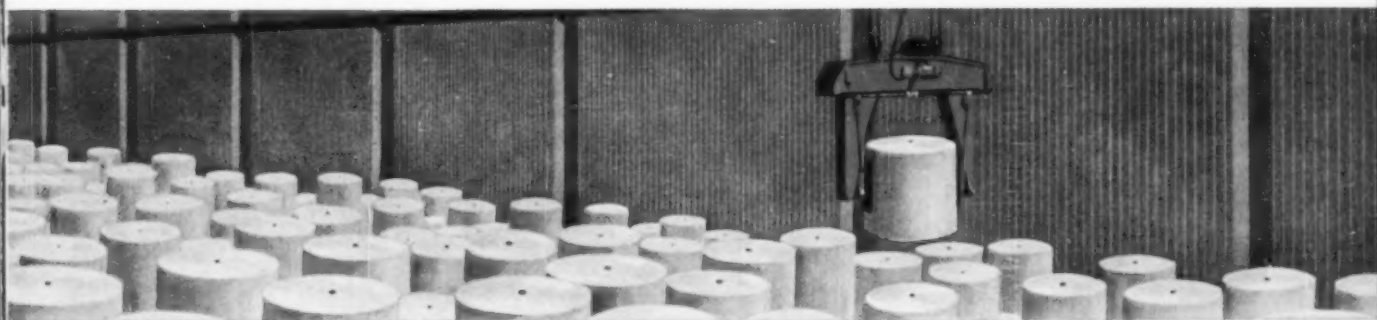
...enough for as many as fifty



a new service from **St. Regis** 
PAPER COMPANY
150 EAST 42ND STREET, NEW YORK 17, N. Y.



tons of Kraft linerboard a day...



25,000 tons in various weights



million shipping containers...



that builds its future on service



A \$32,000,000 TREASURE HUNT FOR SUBMARINE ASBESTOS

Black Lake in Quebec covers a treasure much more valuable than the legendary loot of Captain Kidd. Beneath 200 feet of water lie some of the richest deposits of high-quality chrysotile asbestos in the Western Hemisphere.

American industry needs asbestos, but few companies have the experience to mine it under the topographical difficulties presented by the Black Lake area. Lake Asbestos of Quebec, Ltd., a wholly owned subsidiary of American Smelting and Refining Company, is now developing these ore bodies and building a modern asbestos fibre mill to handle their output.

Black Lake is being drained; rivers and highways are being relocated, and open-pit mines, eventually as much as 500 feet below the old lake surface, will be in operation by 1958. The investment will total \$32,000,000. Known deposits assure a source of supply for at least 40 years.

ASARCO has established special asbestos research facilities at its Central Research Laboratory at South Plainfield, N. J. If you use or may be able to use these mineral fibres in your manufacturing operations, we will be happy to work closely with you to help you find the most practical and economical applications.

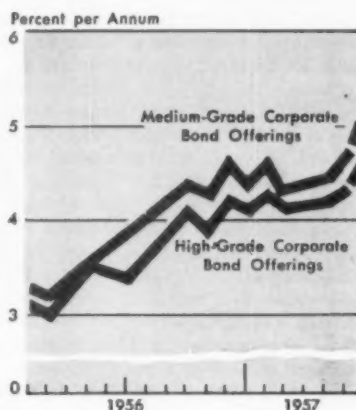
AMERICAN SMELTING AND REFINING COMPANY

120 Broadway, New York 5, N. Y.

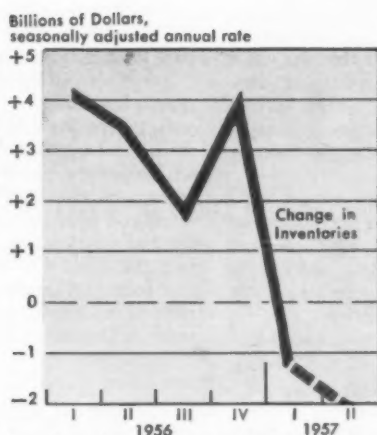


Are these signs of trouble?

1 Tight money
has sent
borrowing costs
soaring

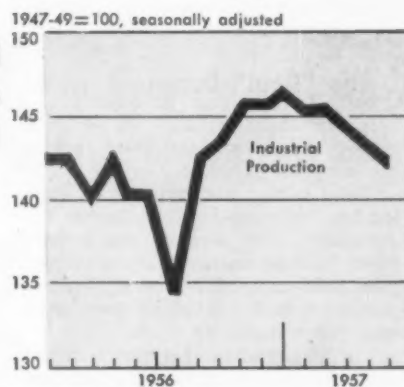


2 Business
has been
trimming
inventories



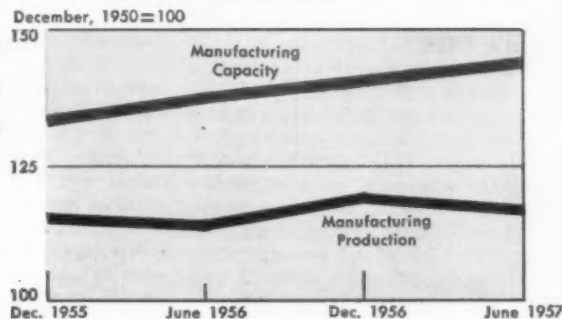
Data: Dept. of Commerce, BUSINESS WEEK Estimate.

3 Overall
production
is slipping



Data: Federal Reserve Board.

4 But capacity
keeps on
climbing



Data: Federal Reserve Board; McGraw-Hill Dept. of Economics.

©BUSINESS WEEK

Worries Swing to Wall Street

Despite the obvious slowdown, the evidence points to an upturn by fall—unless trouble erupts in the money markets.

THE CHARTS above picture a business boom that has been in trouble since the start of the year. The trouble hasn't been very serious, to be sure, but it has been enough to check the upward drive of production, employment, and

spending. And it has raised the inevitable question: Is this only a healthy pause in the U.S. economy's growth—or the beginning of a serious downswing?

The answer, as it now shapes up, is

two-fold: From an analysis, just of what economists like to call the "real" elements of business—actual production, inventories, and consumption—the situation looks good. This spring's and summer's dip has been healthy, and it has altered neither industry's plans for expansion nor consumers' appetites for buying. From all signs, the bottom is near—or here right now—and by 1957's

"... the most ominous cloud ... is the danger that trouble in the financial

fourth quarter, there should be an upturn again.

But a look at the financial situation beclouds the picture. Under the Federal Reserve's tight money policy there has been a steady increase in strains on the economy—and there's a limit to how much of this the money markets can take. No one knows just where that limit is. But with interest rates now hitting the highest levels in 25 years, it may not be far away.

The most ominous cloud in the business sky this summer is the danger that trouble in the financial markets will choke off the development of the fall upturn—and bring a real downswing.

Just what happens to business in the next few months will depend on how the "real" forces at work in the economy interact with the financial forces. If the fourth quarter upswing materializes, the financial markets will take comfort, even though money remains tight. At the same time, the upswing's timing and strength will depend, at least in part, on how the financial situation develops through the summer.

I. The "Real" Economy

In the charts on page 25, some of the key factors responsible for slowing the boom are apparent.

Tight money has sent interest rates soaring, with uneven effects on the economy. The trouble comes from heavy business demands for capital coupled with restrictive Federal Reserve policies intended to check price inflation. As a result:

- The bond market is sour; talk of impending financial crisis has been current in Wall Street and Washington.
- It costs more for the federal government to carry the national debt.
- The high costs of borrowing are driving many state and municipal governments—and some businesses—out of the money market.
- Housing—which needs lots of relatively cheap credit to prosper—has been sagging. Related industries—such as lumber, gypsum, furniture, appliances, and even much nonresidential construction—are faltering, too.

Business has been trying to reduce inventories, partly as a result of tight money, partly as a result of a slowdown in new orders. Back in the fourth quarter of 1956, business was adding to inventories at an annual rate of \$4.1-billion. But in the first quarter of 1957, the process went into reverse; business started unloading inventories at an annual rate of \$1.2-billion. This means a total shift of \$5.3-billion toward the negative side. (A cut in production of

goods going into inventory has exactly the same effect on income as a cut in output of goods or services bound for consumers.)

It's too early to get reliable figures on what happened to inventories in the second quarter of 1957. But Washington economists believe there was little change. At this point, anyway, resumption of inventory accumulation would be worse news than a further moderate decline—since a turnaround now would mean that business was adding to inventories involuntarily—that goods were piling up faster than they could be sold.

Over-all industrial production declined 2.7% from the December, 1956, peak of 147 (1947-49 average equals 100). Most of the drop has been in durable manufactures, which were down 4.2% in May. As a group, nondurable manufactures held steady, but only one important subgroup, chemical and petroleum products, showed a gain—and that only of 1.8%. Mineral production in May was down 1.5% from the December peak.

So far this year, the downward trend of industrial production has been becoming more general. This is plain from the month-to-month changes in the industrial groups included in the Federal Reserve Board index:

	Feb.- Mar. 1957	Mar.- Apr. 1957	Apr.- July 1957
Percent of groups:			
Moving upward	26	33	21
Moving downward	37	54	58
Unchanged	37	13	21

Most industries are running at much lower operating rates than at yearend 1956, because the great 1956 capital spending boom has kept capacity swelling at the same time that production has been somewhat declining. Of 14 industries analyzed by the McGraw-Hill Dept. of Economics, the operating rate in 12 is down. Only nonferrous metals and paper and pulp are doing better than last December. According to the McGraw-Hill study, manufacturing industries as a whole are now operating at 81% of capacity—well below the preferred operating rate of about 90%.

Few businessmen expect the situation to improve much in the rest of the year. For example, Roger M. Blough, chairman of United States Steel, thinks steel users will be trying to reduce currently high steel inventories and "in so doing will cut their buying substantially below the rate of steel consumption, which should remain near the level of early 1957." As a result, Blough expects second-half production to average "between 80% and 85% of industry capacity."

Before World War II, excess capacity would have been cause for fears of a drastic slash in capital expenditures on

plant and equipment. One of the most striking facts about the present situation however, is that so far business shows no signs of making such a slash.

True, capital outlays are expanding more slowly. In 1956, business boosted its capital spending by \$6.4-billion. This year, according to the Dept. of Commerce-Securities & Exchange Commission survey, plans are for an increase of \$2.3-billion. That's only one-third the 1956 gain—and less than that if you take account of higher prices.

But there's a more striking difference yet: Last year, all 20 major industry groups in the Commerce-SEC survey upped capital outlays over the year before. This year, there's a sort of rolling readjustment:

- Five industries are boosting outlays even more than in 1956.
- Eight industries are still raising outlays—but by a lesser margin.
- Seven industries are slicing their capital spending.

Interestingly, of the \$4.1-billion shrinkage in growth of capital spending, \$3.3-billion is in two industries—autos and a miscellaneous category including retail and wholesale trade, finance, commercial construction, service industries, and the like. On the whole, though, the fact that business is going ahead with plans to expand and modernize is proof of its continued confidence in the future.

II. Signs of Confidence

Some people are beginning to think business may lag for five years or so until a booming rate of family formation in the early 1960s revives heavy investment demand. At the moment, however, few corporations are taking this as a reason to revise investment programs sharply—although they certainly would do so if they saw any signs of serious recession between now and then.

In the meantime, the more common view is that the economy will continue to sag somewhat through the summer and early fall, but will regain vigor in the fourth quarter. This optimism over prospects for late 1957 rests on such arguments as these:

- The recent reduction in inventories is healthy. By yearend, a cycle of inventory liquidation (which usually lasts about nine months) will have run its course, and business will be ready to begin accumulating inventory voluntarily again. This will strengthen production.

- The caution—or plain boredom—displayed by consumers won't last much longer. After refraining from a buying spree ever since 1955, the public ought

to be ready for another by late 1957—when much of the installment debt incurred two years ago will be out of the way. Auto sales should benefit particularly.

- Housing shows signs of stabilizing at a level not much below 1-million starts a year. Considering the reduction in household formation, this is pretty healthy.

- Demands on the capital market are at their peak now. As high interest charges push marginal borrowers out of the market—and slow the economy a bit more—pressure on prices and interest rates will ease. As it does, more money will become available for sectors such as housing and small business.

- No matter what Congress does to the Administration's budget, federal government expenditures will continue rising at an annual rate of about \$1-billion each quarter. State and local spending will keep climbing at an annual rate of about \$750-million each quarter.

As a matter of fact, it's largely because this is the Year of Government Spending (BW—Jan. 5 '57, p. 25) that the economy has been able to weather inventory reductions, tight money, a housing slump, and disappointing auto sales. In the first half of this year, total government spending on goods and services grew by about \$4-billion, measured at an annual rate. This almost completely offset the impact of inventory cuts.

- **Profits Persist**—Business has another reason for clinging to its capital spending plans. Earlier scares to the contrary, business profits have been growing again. In the first quarter of 1957, corporate profits before taxes were running at an annual rate of \$46.5-billion—up almost \$3-billion from the 1956 total of \$43.7-billion. And profit margins recovered to an estimated 12% of sales in the first half of 1957. They had dropped from 12.7% of sales in the first half of 1956 to 11.6% in the second half. The reasons for this improvement:

- Flattening out in wage and salary payments.
- Higher prices.
- A resumption of productivity gains after last year's stagnation.

III. Money Trouble Ahead?

The arguments in favor of an improvement late this year are enough to keep most businessmen cool and collected despite the signs of a sag. For one thing, ever since World War II, there have been all sorts of false alarms of impending disaster. For another, a situation such as today's is generally regarded as temporary. Indeed, some circles—especially among bankers, including the Fed—regard the minus signs as highly

desirable checks on an inflationary boom that might otherwise turn into a bust. In fact, there has been a clustering of conservative opinion around the thesis that "a little recession is a healthy thing." Anyone who dissents is likely to be branded "inflationist."

- **Securities Crisis?**—Nevertheless, both in Wall Street and in some New York and Washington centers of economic research, there's growing concern over the financial side of the situation. The economy as a whole may appear to continue securely along a high plateau, these sources say. But the securities markets, it is feared, may be in for a severe shock. Inevitably, this would affect business widely.

No one pretends to foresee the form of such a crisis. In general, though, this is the sort of thing that is feared:

- Major investment banking houses have been under heavy pressure from climbing borrowing costs and declining bond prices. Some have suffered serious losses from carrying inventories of bonds that cannot be sold except by slashing prices. If one or more important houses got into real trouble and began unloading securities, the result could be a collapse in the bond market—with falling prices and grave difficulty in selling new issues.

- This would quickly affect the stock market. Many people would desert the market altogether; others—glimpsing the terrific yields in bonds—would switch from stocks to bonds. Institutional investors—one of the stock market's major props of late—would stop buying.

- All through the economy, confidence would diminish. Capital spending programs would be trimmed. Credit—and trade—would evaporate, much to the dismay of manufacturers pushing goods to dealers on consignment, and dealers urging customers to buy on credit.

- Employment would drop; income and sales would fall. In short, the Depression would return.

- **Rebuttal**—Policymakers and advisers in the Federal Reserve Board regard such talk as dangerous nonsense. They contend that a crisis of this nature could occur only in a society wild for speculation—such as the U.S. in 1929 or 1873. Today there are no signs of a speculative boom that could breed panic, they argue. This is the very thing their policy has been designed to prevent—and if business should sag too far, the policy would be switched from restraint to stimulation.

This argument doesn't satisfy the Fed's challengers. They hold that speculation has indeed been widespread—if not in the classic manner. In the

postwar brand of speculation, as they see it:

- Consumers go heavily into debt for goods they can't afford (not if anything happens to their incomes).

- They put their cash—not credit—into the stock market.

- Business sinks too much money into capital expansion, in the belief that future markets will surely be there.

As evidence, this school points to the deterioration in the quality of credit as instanced by the rising rate of repossession of autos. They argue also that future earnings of equities have been so heavily discounted that a serious interruption in growth—or a suspicion that prices might not continue to rise—might still provoke a major crisis, with massive unloading of stocks and shrinking in values. By that time, a switch in monetary policy would be too little and too late.

Only a few chronic bears among the professional economists think such a financial crisis might originate in the so-called "real" sectors of the economy. The other worriers are all agreed that Wall Street is the danger area.

Offshore Oil Equipment Weathers the Big Gale

Hurricane Audrey proved one thing to the offshore oil business: The engineers who designed the cumbersome equipment used in the Gulf of Mexico were right when they predicted, "This stuff can ride out a hurricane."

With ample warning, offshore operators removed hundreds of crewmen from rigs spotted all over the general area of the season's first hurricane. On some rigs, however, crewmen elected to ride out the storm, and a few did.

Only one near-tragedy occurred. Six men, battered down on the \$2-million drilling barge, the Ed Malloy, owned by John W. Mecom of Houston, had to take to rubber life rafts when the barge toppled. Mecom's planes combed the area after the hurricane passed, and rescued the men—but the Ed Malloy is almost a complete loss.

One insurance source estimates that the total damage to the area's offshore oil equipment is about \$3-million, but some outside the insurance business put it as high as \$10-million.

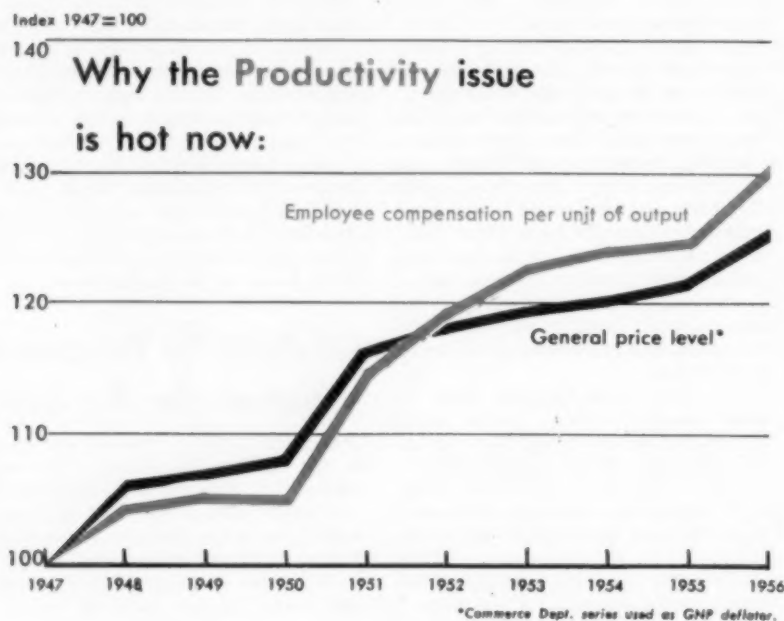
The CATCO group—Continental Oil Co., Atlantic Refining Co., Tidewater Oil Co., and Cities Service Production Co.—demonstrated the claim that they could ride out a hurricane. Some 60 men, in crews of five and six, rode out the storm safely on tenders operated by the group.

Congress Piles Up Data for

● Congressional committees have now delivered two massive studies of the economy, both certain to be controversial.

● One volume adds to understanding of how wages, prices, profits, and productivity interact. It's just in time to join the fuss over the price rise in steel.

● The other—the long-awaited report on concentration in industry—will be an antitrust weapon. At the same time, it may give business its best defense yet.



1. Productivity Study

A guidebook to what Pres. Eisenhower means when he talks about economic statesmanship for businessmen and union leaders was published this week by the Joint Economic Committee of Congress.

It doesn't give any pat formula for avoiding inflation—which is what Eisenhower asks business and labor to do. But it is crammed with facts about related subjects such as productivity, profits, and wages. It will be must reading for anyone concerned with the rise of prices and the future of the economy.

The study—called Productivity, Prices and Incomes—is officially described as “materials prepared for the Joint Economic Committee by the committee staff.” It consists of some 200 tables, 50 charts, 70 pages of explanatory text.

It has been in preparation for a year and a half, and pulls together almost all that is known about productivity—one of the most obscure and troublesome areas of applied economics.

• **No Conclusions**—Neither the committee nor the staff draws any conclusions from the data and both take considerable pains to say so. The new study bristles with scholarly warnings against drawing conclusions from what are admittedly—in some cases—unsatisfactory statistics.

Nevertheless, the report was released at a time that made it certain to be the center of a crossfire in two major controversies:

• The steel price rise announced last week by U.S. Steel (page 30), was defended by the corporation as neces-

sary to meet an estimated 21¢ hourly increase in compensation. It was attacked by the United Steelworkers as unnecessary because U.S. Steel's profits are the highest ever. The Economic Committee report provides ammunition for the union side of this controversy in its long-run data. It cites statistics indicating that steel prices from 1929 through 1956 have gone up more than their labor costs per unit of output. Moreover, the report says, profits of steel corporations have risen, too. On the management side, the report shows that payroll cost per unit of output did rise substantially in 1956.

• Copies of the report were immediately requested by the staff of the Senate Anti-Monopoly Subcommittee, where it will be used as a guide in the subcommittee's forthcoming hearings into industrial concentration (BW—Jun. 29'57,p43). Of particular interest to Sen. Estes Kefauver, chairman of the Anti-Monopoly Subcommittee, will be sections of the Economic Committee study indicating that, on the whole, price increases seem to occur ahead of wage increases.

• **Effect of Wage Boosts**—Nowhere does the report directly examine the proposition that unions cause inflation by pressuring management into exorbitant wage increases. But the weight of its findings is against this view, especially over the 50-year period covered by some of the data. Here are the report's findings about the seesaw climb of prices, wages, and profits over the year:

• Compensation paid to employees per unit of production has risen slightly more than prices since 1909.

• Prices and compensation to employees show a fairly tight correlation over the years, moving up and down together. Compensation rose above the price trend in 1952, however, and has remained above since, with a fairly substantial jump upward last year (chart).

• There is a tendency for wage increases to lag behind price increases in the early phases of boom, and then for wages to move faster than prices in the latter phase.

• The current performance of price and wage rises is in sharp contrast with what happened during the boom of the 1920s. At that time, unit labor costs dropped and prices remained steady. This time, unit labor costs and prices are both going up, with labor costs rising more.

• Profits also are behaving differently—and help explain the anxiety with which business management views the current trend of wage costs. In the

Business Probes

1920s, profit per unit of output rose. But since 1951, the return on capital is losing ground relative to output.

• **Full-Time Job**—The broad task that the committee staff achieves in the report is to take a first step toward integrating all statistics bearing on productivity. The hope is that this will be followed by a permanent and integrated program lodged somewhere in the executive departments.

The joint committee recommended such a program in its 1957 report to Congress, pointing out that standards were lacking by which business and labor leaders could measure their performance in trying to maintain a stable price level.

The main body of the report reviews productivity trends: Over the years, man hours have increased less than output, so output per man hour (productivity) rises. The rate of gain for the private, nonagricultural sector of the economy has averaged 2.2% a year; for manufacturing, 3%; for mining 2.5%; for farming 2%.

• **Rate of Gain**—The report points out that the rate appears to have been increasing since 1947, despite a dip from 1953-56 (table, below). It is possible that this dip—due largely to 1956 alone—has already ended.

Average annual percent increase in real private product per man hour:

Period	
1910-19.....	.7
1919-29.....	2.5
1929-39.....	2.5
1939-47.....	2.2
1947-53.....	3.6
1953-56.....	2.2

• **Ratio to Capital**—From output per hour of labor, the staff turns to the less familiar problem of measuring output per dollar of capital. This trend is rising, too. For example, in 1929 it took \$1.01 worth of capital invested in plant and equipment to produce \$1 worth of product (measured in 1953 prices). Last year 76¢ worth of capital produced \$1 worth of product.

This is another way of saying that over the long pull, the ratio of plant and equipment stocks to output has been falling. In the past four years, however, this trend has been reversed, and plant and equipment have been rising moderately relative to output.

This may be due in part to the desire of management to build up a cushion of reserve capacity, in part of inefficient use of some of the facilities put in place recently.

• **Note of Alarm**—But the report poses a question about the investment rise of the past four years.

"A case could be made," the report states, "for the thesis that the Depression of the 1930s was due partly to and was prolonged by a growth of excess stocks of fixed capital in important industries during the 1920s. Are the rising capital-output ratios an indication that such a trend toward excessive capital investment is now under way?"

A new insight into the failure of investment earnings to keep pace with prices and compensation paid to employees, is supplied. A special series of indexes devised by the staff shows that since 1909 prices have just about tripled

and compensation to employees is up 3½ times; earnings of capital (before taxes) are up only about 75%.

A shorter run comparison shows the same general trend: since 1947, prices have gone up 25%, compensation to employees 30%, and the earnings of capital, 17%.

• **Smaller Share**—The after-tax situation of capital is even more sharply out of step with the trend of prices and compensation. An index of taxes per unit of output shows a 300% rise since 1929. Largely as a result of this rise, corporate profits as a percent of national income have been running at about 9% to 11% in recent years, compared to 19% in 1929, 17% in 1936, and 17% in 1947.

2. Is Bigness Badness?

Once more, Congressional critics of big business are staging a hunt for monopoly, manipulated prices, and signs that small business is being driven from the marketplace.

This time their ammunition is the fat new collection of statistical tables—based on the censuses of manufacturing—that show degrees of concentration by industry classifications. This report, "concentration in industry—prepared by the Senate Anti-Monopoly Subcommittee—was described exclusively last week by BUSINESS WEEK (BW—Jun.29 '57,p43).

The huge report, on the surface, looks a good deal like reports on industrial concentration prepared in the past by the Commerce Dept., the Smaller War Plants Corp., and the Temporary National Economic Committee of the 1930s.

However, the new study breaks with those of the past in one important way—as businessmen will learn when the shooting starts. In some cases, the new statistics may turn out to be better ammunition for the antitrust than anything in the past. But, paradoxically, the new statistics also provide businessmen with a stronger defense.

Here's the reason:

• **Antitrust Bonanza**—For the trust-busters, there's more information about concentration than they've ever had before.

The vast collection of tables shows the extent to which large companies have either added to their position or lost ground in broad manufacturing industries, from 1947 to 1954. These broad classifications are known to the technicians as "four-digit industries," because this is how they are catalogued under the standard industrial classification system used by the Census Bureau and government agencies.

But, in addition to this comparison

with 1947 by broad groups, the report for the first time shows concentration ratios for hundreds of narrower industry classifications for the year 1954 only. These show the extent to which output in these so-called "five-digit industries" is in the hands of the 4, 8, and 20 largest companies. In most cases, not unnaturally, the smaller the industry class, the greater the seeming concentration.

• **Businessmen's Defense**—All this merely sharpens the line of criticism that businessmen have always laid down against any purely statistical definition of markets and a mechanical approach to measuring concentration and competition.

The figures might show—for example—that 98% of all the shipments of plastic shingles are made by one company. This would have all the earmarks of complete market domination—a monopoly.

But actually there is fierce competition for the roofing business—from such old-time materials as shakes, asphalt shingles, asbestos shingles, aluminum, and the like.

Thus, use of the narrower industry classification—so pleasing to the antitrusters—provides scores of examples of the absurdity of relying on the concentration ratios as an indication of monopoly.

• **Safety Check**—Nevertheless, any manufacturer in an industry that shows a big concentration ratio on the antitrusters' tables will do well to check the figures against his real situation.

Sen. Estes Kefauver's Anti-Monopoly Subcommittee, for one thing, is staffed by old-time antitrust economists and lawyers. They will be inclined to go by the new book when they open hearings next week into what they call "administered price industries"—that is, industries in which a few companies with

a large percentage of the market allegedly prevent the free play of price competition by their "price leadership."

• **Take Your Choice**—Here are examples to show the diverse patterns of "concentration" the statistics indicate, both in broad four-digit industry categories and in the narrower five-digit groups.

Take the machine tool industry, first in the broad 4-digit category:

	Value of shipments (in thousands of dollars)	% held by 4 largest companies	% held by 8 largest companies
1947	493,853	20	30
1954	1,146,932	19	29

Now here is a 5-digit breakdown using the same basis for milling machines:

1954	1,000,152	65	77
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What do the four-digit machine tool figures show? For one thing, they say that in 1954 the four largest companies had 19% of the business, and that the next four had another 10%. Offhand, this doesn't alert the antitrusters. Also, the figures indicate no growth of concentration between 1947 and 1954: In fact, the percentage of the market held by the Big Four and Big Eight has actually declined over the seven-year period.

On the other hand, take the five-digit milling machine figures. Here the four largest companies have 65% of the business. This might cause a government lawyer to wonder how much of the 65% is held by a single company or a "Big Two." The figure might at least raise questions.

• **More Samples**—Here's another industry—first, petroleum refining products in general:

	Value of shipments (in thousands of dollars)	% held by 4 largest companies	% held by 8 largest companies
1947	6,623,708	37	59
1954	11,757,218	33	56

And next, the narrower category of liquefied petroleum gas:

294,826	43	67
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Here again, in the broad industry, the Big Four and Big Eight had less of the market in 1954 than in 1947. The figures, however, certainly have not kept the antitrusters out of the oil industry's hair; in fact, oil has been one of the biggest antitrust targets of recent years, both of the Dept. of Justice and the politicians in Congress.

The smaller liquefied petroleum gas industry—the five-digit category—on the other hand shows more indication of concentration. This again is an industry in which the antitrusters have moved, regardless of what the figures show. This year, the Antitrust Div. went to court against the Gulf Oil Corp.'s purchase of Warren Petroleum Corp., the biggest liquefied petroleum gas producer in the country.

The Steel Price Rise:

● Congress says the average \$6 a ton increase announced by U. S. Steel is too high.

● Most steelmen say it's too low—it makes it harder for the rest of the industry to finance expansion.

● U. S. Steel says it's right.

● Steel's customers say the rise is just about what they had expected.

● In any case, this isn't the end of the line. If there's another rise in costs, prices will go up again—maybe within a few months.

U.S. Steel Corp. occupied a spectacularly unpopular position this week as the economy adjusted to the \$6 per ton average increase in steel base prices. The Corporation was:

- Criticized by Congress for "irresponsible" pricing and for contributing to inflation.

- Criticized by a number of its competitors for "grossly inadequate" pricing.

- Criticized by two major labor leaders for just about every sin in the economic book.

On the basis of the Corporation's long-standing price policy, the most pointed criticism was that by the industry—though \$6 was not too far off from earlier guesses. By the Corporation's own standards, a \$6 boost is a conservative price.

- **Direct Result**—U.S. Steel justified its price boost, which averages 4%, as a direct result of the second-year costs of the three-year, no-strike labor agreement it wrote last August to settle a 34-day strike. That included a contractual wage boost on July 1 this year. The United Steelworkers valued this at 12.5¢ per hour. U.S. Steel said the July 1 boost involved total employment costs of 21¢ per hour, including a 4¢ cost-of-living increase dictated by the Bureau of Labor Statistics index for May (BW—Jun.15'57,p50). The disparity arises from indirect employment costs.

The 21¢—or 6%—total employment cost boost, said U.S. Steel Pres. Clifford

Hood, will result in an average hourly employment cost of \$3.52, the highest ever.

- **Steel's Case**—Most immediate effect of U.S. Steel's action will be in Congress. There, any of several committees will attack it. Naturally, the Corporation is busy, this week, preparing its case. It will argue that far from making the "fantastic" profits charged by United Steelworkers Pres. David McDonald, U.S. Steel's prices aren't yielding enough dollars to accommodate the tripled costs of replacing worn-out equipment and adding new.

The Corporation's price policy has been and remains this: to cover all costs and to earn a "good" profit. Its costs, of course, can be ascertained quite precisely. What constitutes a "good" profit is determined by some dozen variables.

So far this year, U.S. Steel's profits have been good. After taxes, it earned 9.9% on sales in the first quarter—and that is substantially its present earnings target. That's by no means spectacular but it's substantially better than any full year's earnings rate for the last 27 years.

- **Industry Clash**—What competitors are saying about U.S. Steel's price action somewhat resembles Detroit speculation and gossip in 1955. Then General Motors, locked in a furious battle with Ford, was making such record earnings that some people wondered whether GM would reduce sharply its auto prices to put more pressure on Ford.

But if it had done so, according to

It Depends How You Look at It



ROGER BLOUGH of U.S. Steel: "We have not raised our prices enough to cover the increase in our costs over these past 15 years."



AVERY ADAMS of Jones & Laughlin: "The announced price is grossly inadequate to cover total anticipated cost increases."

Detroit observers, it would have destroyed American Motors and Studebaker-Packard—and quite possibly have crippled Chrysler for good. But, GM didn't cut prices and the competitors are all in business.

U.S. Steel's relations with its competitors are similar but different. Competitors are unhappy because the Corporation doesn't boost prices enough. U.S. Steel insists that it's only recovering costs—that its earnings improvements result from heavy capital expenditures and meticulous attention to efficiency. The industry, in seeking higher general increases, is arguing this year—as it did more quietly in last year's increase—that by holding prices lower than what the traffic would bear, U.S. Steel makes it progressively harder for the rest of the trade to finance modernization and expansion. Ultimate effect of Big Steel's price action on its competitors remains to be seen.

• **Price Factors**—Where does all that leave the price of steel this week? Right about here:

• At their new levels, steel prices are ultra-sensitive to costs. U.S. Steel vows there's no water in them, that if costs go up significantly—as they will on the slightest rise in the price index—prices will follow.

• That practically confirms a new concept steel people talk about—that the cost spiral almost forces steel to

a twice-a-year pricing policy. Base prices are set to accommodate the annual change in labor costs; then the increase in non-wage costs is accommodated some months later. Last year base prices went up \$8.50 in August, at the strike's end. Extra charges on most products went up in December and March.

• And the full effects are now showing up of last year's strike settlement. U.S. Steel then estimated total employment costs of the three-year, no-strike contract at 57.5¢ per hour. Already, steel is paying 45¢—and a 13.1¢ raise is due next year, not counting cost-of-living boosts.

It's true that one of the advantages steel sought in the contract—three years of production uninterrupted by strikes—has been realized so far. But that prospect has also meant that big steel users could cut their inventory to the bone this spring. Steel also said it was buying, last summer, the change to stabilize costs at predictable levels for three years. But costs-of-living wage increases have already knocked that hope in the head.

• **Washington's Guns**—Congressional critics of the price rise are already bringing up their heavy guns. Yet many seem not so much to be aiming at steel, as using steel to attack other targets. Sen. Albert Gore (D-Tenn.) fired at high interest rates that "encourage many companies to finance

expansion out of increased prices." Sen. Estes Kefauver (D-Tenn.) will use the steel hike as a takeoff point in probing industrial concentration.

Pres. Eisenhower's economic advisers are most concerned about possible upward nudging of other prices. They're hopeful that there's enough weakness in consumer demand to block, or at least hold back, retail increases.

• **Unruffled Customers**—About the only people not throwing brickbats are steel's customers. Most of them found the increase to be just about what they expected; a survey by *BUSINESS WEEK* reporters in key areas turned up only a handful who found it larger than anticipated. The principal gripes came from appliance makers who objected, not to the rise, but to steel industry figures (misleading, they said) about how little the steel price rise meant to the cost of, say, a refrigerator.

Many manufacturers said they had no plans to increase prices of their own products because of higher steel costs—at least not immediately. Others said, just as emphatically, that they would "add every dime to our selling price." The answers varied with the industry and the company's situation.

The survey turned up little evidence of large-scale advance stockpiling of steel ("There's no point in tying up 5% money to save 5% costs," said one construction firm).



Chief Justice Warren



Associate Justice Douglas



Associate Justice Frankfurter



Associate Justice Black



Associate Justice Brennan



Associate Justice Harlan

Three of these—Warren, Black, and Douglas—form a solid "liberal" core, ready to turn away from legal precedent. Brennan, still a new man, shows signs of joining up with this bloc.

These men attach more weight to precedent, and so move from center to one side or other.

The Supreme Court's New

The U.S. Supreme Court under its 14th Chief Justice, Earl Warren, will complete—in a few days—one of the more eventful terms in the court's 168-year life.

After a month of dramatic decisions, the court is going into "overtime" to hear and probably shortly decide just one more controversial and emotionally charged issue before it quits: Whether the executive branch of the government may constitutionally turn over American GI William Girard for trial by Japanese civil authorities.

Whatever the ruling in this case, important as it will be, it may be anticlimactic.

The Warren court has already done more than enough this term to write its place in the history books. Definitely, the court has entered a new phase. Chief Justice Warren and other Eisenhower-appointed members are taking their places, and their influence is becoming crucial. In addition, not only

did the court set a modern record in the amount of work it handled, but the importance of the decisions is difficult to overstate.

- **Debate**—The nation—from Congress on down to the citizen—is still debating the Warren court's actions in three main areas:

- **Individual vs. the government.** The court is now striking a new balance between government authority on one hand, and the rights of individuals on the other. The court's recent decisions have tipped the balance heavily on the side of protecting individual rights.

- **The reach of the antitrust laws.** The court within the last month has condemned, under the antitrust laws, long-established business connections between du Pont and General Motors Corp. This has given government prosecutors more power over big corporation relationships than ever before.

- **State vs. federal.** In the ancient

conflict between federal and state authority under our form of government, the court is leaning heavily toward federal supremacy—particularly in such areas as espionage and labor legislation.

I. Trend of the New Court

There is plenty of precedent for the current fuss over the court. But rarely has any court issued so many big decisions so close together and with such sweeping overtones as did the Warren court in the last term. There certainly has not been a similar outburst since the sudden string of pro-New Deal decisions in the spring of 1937 by the court—led by Chief Justice Charles Evans Hughes—after an unbroken string of setbacks for the New Deal and before there was any change in the membership of the "nine old men."

- **Less Precedent-Bound**—There is one definite characteristic of the Warren court that makes it different from re-



Associate Justice Brennan



Associate Justice Clark

These men — Truman appointees — most nearly constitute the "conservative" bloc.



Associate Justice Whittaker

May be a key man in future alignments. His service has been too short to place him.

Line-up

cent courts: Its willingness to seek out big issues on which to take a forward stand of its own choosing.

The Supreme Court—more than any other court or institution of government—can control to a large extent the kinds of cases it will decide. Even after taking a case, it can find a hundred different ways to decide a case without reaching the underlying issues.

In relating the law to the Constitution, today's court is less inclined than past courts to follow what the lawyers call the principle of "stare decisis"—roughly, meaning to follow the decisions of the past.

This is a court where a majority usually is willing to reinterpret the Constitution and apply the law in terms of changing political and social problems.

This characteristic, most observers agree, can be traced as far back as 1954 when a court that consisted mainly of Democratic appointees upset past policy

by ruling that separate but equal public schools for Negroes are unconstitutional.

Since then, the Warren court—with three more members named by Pres. Eisenhower—has moved pretty much in the same general direction.

• **New Alignments**—It is often misleading and always rather foolish to attempt to put a label of "liberal" or "conservative" on Supreme Court justices and expect it to stick. Supreme Court justices shift around a lot, from issue to issue.

It is equally risky to try to show that changes in membership produce specific changes in the court's rulings. But there is evidence that Earl Warren is shaping a new court, with new alignments creating new majorities.

Curiously, it is Harold Burton and Tom Clark—Truman appointees—who find themselves alone many times, particularly in civil rights matters. By and large, these two most nearly constitute the "conservative" bloc on the court, though Clark often votes with the Warren-Douglas-Black group on antitrust, say; and Burton occasionally finds himself agreeing with them, too. For example, both joined the recent unanimous reversal of the loyalty program dismissal of career diplomat John S. Service.

But it is the thinking of old Roosevelt appointees—Hugo Black, William Douglas, and Felix Frankfurter—plus one or two of the new Eisenhower members, that controls many of the big decisions today.

Chief Justice Warren joined up with Black and Douglas almost as soon as he went on the court. There is ample indication that Justice William Brennan is swinging to this group, too. Justice John Harlan—like Frankfurter—switches his alignment so often that he does not

fit even this rough liberal or conservative grouping. Harlan probably is best tagged as "central" along with Frankfurter. Charles Whittaker, newest member, has not taken part in enough decisions to show his leanings.

• **Changing Philosophy**—Critics can find no better example of what the change in personnel has contributed to the philosophy of judging in the light of contemporary events than the recent turnaround on military courts-martial trials of civilians accompanying members of the armed forces overseas.

Last year, the court ruled 5-to-4 that military trials for two women accused of murdering their army husbands overseas were valid and refused to pass on alleged violations of Constitutional rights. A few weeks ago, after voting to rehear the same cases, the court ruled 6-to-2 that such trials violate basic Constitutional rights of American citizens to trial by jury—even if the crimes were committed overseas.

What happened to the 5-to-4 majority of 1956? One changed his mind: Justice Harlan decided on further reflection that American civilians accused of capital crime are entitled to trials by jury and are under American Constitutional protection.

Two more members of the 1956 majority retired from the court: Justices Reed and Minton. Justice Whittaker, who replaced Reed, joined the court too late to take part in the 1957 decision. But Justice Brennan, who replaced Minton, joined the 1956 dissenters.

Harlan's switch and Brennan's new vote thus converted the 1956 minority—Warren, Black, Douglas, and Frankfurter—into a six-man majority, with only Clark and Burton left to adhere to what had been the majority position last year.

II. No Justice Is Doctrinaire

Of course, not all the recent big decisions have been influenced by the change in personnel. Neither is it the first time a change in personnel has worked such a switch.

It was practically the identical groupings that made up the majority in other big civil rights decisions: Limiting the scope of Congressional and state investigations of subversion to protect rights of individuals; upsetting convictions of Communists under the Smith Act against advocating overthrow of the government, and making government files that pertain to government testimony in criminal trials available for inspection by the defendants.

• **Antitrust Line-up**—On antitrust, few decisions have been as sweeping as the court's 4-to-2 ruling early last month against du Pont's 23% stock interest in General Motors. The majority: Brennan,

The Attack on the Supreme Court

The Supreme Court's decisions this year have blown up a storm in Congress. Particularly hot issues are those involving (1) release of government files in criminal trials for inspection by defendants; (2) government prosecution of Communists under the Smith Act; and (3) restrictions placed on Congressional investigating committees.

Sen. Olin Johnston (D-S. C.) accused the court of making 23 "pro-Communist rulings" since 1953. Johnston says he'll press for passage of a bill to require Senate reconfirmation of every Supreme Court justice every four years. Other bills would limit judicial tenure, require a specified term of judicial experience before appointment to the high court, restrict the court's power.

Among less extreme measures are bills sponsored by Sens. John Bricker (R-Ohio), Joseph C. O'Mahoney (D-Wyo.), and Alexander Wiley, (R-Wis.) to narrow the court's ruling affecting government files in criminal cases.

The court's civil rights decisions also drew fire from Francis E. Walter (D-Pa.), chairman of the House Un-American Activities Committee. Walter began new hearings in San Francisco the day after Chief Justice Warren struck down a contempt of Congress conviction in the so-called Watkins case and prescribed rigid limitations on Congressional investigators. After an initial blast, however, Walter decided that no new legislation is needed to meet the Watkins decision. The standards it set slowed his committee's operations, he said, but did not really hamper them.

More professionally, at the 51st annual meeting of the National Assn. of State Attorneys General, the Supreme Court came in for a bitter attack from New Hampshire Atty. Gen. Louis C. Wyman. Wyman charges that the court's recent rulings on subversive cases "set the U.S. back 25 years."

Thurman Arnold, ex-Dept. of Justice trustbuster, takes a different point of view. He defends the recent civil rights rulings, and says the court is becoming "unified" under Warren as "a court of inspired choice and policy . . . rather than a court of law as we used to know it."

But many constitutional lawyers are alarmed over the way the court is spelling out federal power in regulation of labor-management relations. They see a threat to small business, at least, in a group of Supreme Court decisions written this year holding that states cannot take jurisdiction of labor cases affecting interstate commerce, even where the National Labor Relations Board refuses to take the case.

Warren, Black, and Douglas; dissenters: Burton and Frankfurter. Clark, Harlan, and Whittaker did not participate (Clark, because he was Attorney General when the suit was filed; Harlan because he had served as a du Pont lawyer in private practice; and Whittaker, because he had not heard the case argued). That ruling, considered by many the most anti-big business decision ever delivered by the court, will influence future merger and acquisition cases for years to come.

Only last year the court ruled—in a different case under a different anti-trust law—that du Pont's 75% control of cellophane (BW—Jun.16'56,p34) was not an illegal monopoly, because it is only a part of a much larger market for competing flexible wrap materials. The vote was 4-to-3; in the majority: Reed, Burton, Minton, and Frankfurter. Bitterly dissenting were Warren, Black, and Douglas. Clark and Harlan did not participate because of their earlier involvement.

Note how replacements may have changed the picture from 1956 to 1957

so far as du Pont is concerned: Brennan, replacing Minton, voted with Warren, Black, and Douglas in the du Pont-GM case; Whittaker, replacing Reed, did not vote. That left Burton and Frankfurter to dissent bitterly in 1957.

• **No Set Team**—These alignments are not to be considered a matter of doctrinaire devotion. There are always shifts going on inside the court. It's still true that each justice makes up his own mind in each case. No grouping in one class of cases necessarily stays together in others.

In labor, for example, the court under Warren has stayed pretty much together. It ruled 7-to-1 that agreements to arbitrate disputes in collective bargaining contracts are enforceable, under Taft-Hartley, in the federal courts; it ruled 6-to-2 that states may not act in labor disputes affecting commerce—even though the National Labor Relations Board refuses to handle them under its jurisdictional limitations.

But a five-man majority—Frankfurter, Harlan, Clark, Burton, and Brennan—

late in the term turned its back on an earlier doctrine holding that picketing is protected under the free speech and free press guarantee in the Bill of Rights.

The majority now holds that even peaceful picketing can be coercive and cannot continue on grounds it merely communicates information. Though the ruling affects only situations of local nature—where Taft-Hartley does not apply—the three dissenters, Warren, Black, and Douglas, accused the majority of making a "formal surrender" on the free speech attributes of picketing.

III. The Warren Court

The nine men responsible for all this furor are men of varied backgrounds and experience, elevated from other walks of life to the highest court in the land by three different Presidents, and confirmed to their lifetime jobs by the U.S. Senate.

Earl Warren, the Chief Justice, 66 years old, was born and raised in California, the son of a railroad worker. He got his law degree from the University of California, held various local and county district attorney posts, became California attorney general in 1938, was elected in 1943 to an unprecedented three terms as governor. Warren was California's favorite-son candidate for President at several Republican conventions, and the GOP Vice-Presidential nominee in 1948. Eisenhower named him Chief Justice in 1953.

Hugo L. Black is senior justice, in point of service. Now 71, Black has been on the court since 1937, the first appointment made by Roosevelt. Born to a poor family in Alabama, Black got his law degree from the University of Alabama. He entered the U.S. Senate in 1926, became a hard-fighting liberal from the start.

Felix Frankfurter, next in seniority, is the oldest member of the court. Appointed by Roosevelt in 1939, Frankfurter, at 74, retains the sharp wit and the quick-moving, rapid-talking characteristics on the bench that dazzled students during his 25 years as a law professor at Harvard.

William O. Douglas, at 58, is last of the three members named by Roosevelt still serving. Douglas, when appointed at age 41, was the youngest man appointed to the high court in 128 years and one of the brilliant young stars in the New Deal galaxy. Born in Minnesota, he joined the court after three years as a Securities & Exchange Commission member (two as chairman) and several years as a Yale law professor.

Harold Hitz Burton was Harry Truman's first appointment to the court, in 1945. Burton, an old Senate friend

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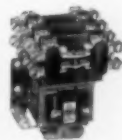
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of Truman's, marked a swing away from the Roosevelt appointments. He is a Republican, and, according to stories at the time, Truman told Burton to "go up on the court and tell what the law is—and put a stop to making the law up there."

Burton is 69, was senator from Ohio, mayor of Cleveland before that. Born in Massachusetts, son of the Dean of Massachusetts Institute of Technology, Burton graduated from Bowdoin College and Harvard Law. As a practicing lawyer before entering politics, his main clients were utility companies.

Tom C. Clark, 57, is the other present justice appointed by Truman. Born in Dallas, Tex., Clark served 12 years in the Dept. of Justice, including four years as Attorney General, before his 1949 nomination to the court. A graduate of Virginia Military Institute and University of Texas Law School, Clark was a practicing attorney in Dallas before coming to Washington.

John Marshall Harlan, Eisenhower's second appointment to the court (1954), is the grandson of an earlier Supreme Court justice of the same name. Harlan is 58. Born in Chicago, and educated at Princeton, he was a Rhodes Scholar, took his law degree at New York Law School in 1924, and became a distinguished New York corporation lawyer (Root, Ballantine, Harlan, Bushby & Palmer).

William Joseph Brennan, Jr., 51-year-old and a life-long Democrat, was appointed in 1956. He was born in Newark, of Irish immigrant parents—his father was a labor union leader. Brennan graduated from the Wharton School of Business, and Harvard Law School. He has wider experience as a trial lawyer than most present members of the court, and his seven years on New Jersey state courts—four on the state supreme court—make him the only sitting justice with any lengthy judicial experience prior to appointment.

Charles Evans Whittaker, 57, is Eisenhower's fourth court choice and became the 91st justice of the Supreme Court last March. A Republican, Whittaker was born on a Kansas farm. He graduated from the Kansas City School of Law in 1924. He worked his way up to the top of a large corporation law firm in Kansas City, became a top trial attorney. Eisenhower first named him to the U.S. District Court in Missouri in 1954; then to the eighth circuit court of appeals in 1955.

• **A Lonely Crowd**—Occupationally, a Supreme Court justice, in the classic sense, leads a lonely life. Outwardly, his robes force him to shed the close political, professional, and business ties he has held during a score or more of mature years.

Yet, in reality, no justice in modern times has been monastic. Only to the degree they are reserved can you distinguish the present nine.

Chief Justice Warren, for example, keeps in social and personal touch with many of the Republicans across the country who came to Washington almost simultaneously with him when Eisenhower took office.

Justice Burton, as a former senator, is influenced in his social life largely by Mrs. Burton, who is a member of the socially prominent Senate Ladies Group.

But neither Warren nor Burton think it is proper to attend a Republican Party function.

Justice Douglas spends as much time as possible with his outdoor friends. He will lead a hiking caravan on the old C.&O. Canal, paralleling the Potomac River, at every opportunity. During recesses, Douglas is off touring the world, climbing mountains, and writing books.

Frankfurter keeps in close touch socially with many of his old Harvard students in small affairs at his Washington home, but even more so in correspondence.

• **Anti-Social**—For most of the court, you can say they take little part in the official social life of Washington, except for the few formal affairs—such as the traditional White House Reception, the Gridiron Club banquets, and the like. As a group, the members of the Supreme Court do not have the intimate relationship of members of the House and Senate or even of Cabinet members.

A lot is often made of the lack of association among justices, particularly when two or more have been in sharp disagreement on a decision day. There have been feuds. Tempers were getting so short in 1946 that Truman singled out Fred M. Vinson, former congressman and Secretary of the Treasury, as Chief Justice to smooth the ruffled feathers, particularly those of Justices Black and the late Robert H. Jackson.

Today, the justices do not mingle intimately. But you will find most of them going together in the justices dining room for their business lunches.

The present justices split up the burden of decision writing fairly evenly—a credit to their individual industry as well as to Earl Warren's administrative skill. The unofficial count this term makes Frankfurter the workhorse, with 14 written opinions. The rest are almost evenly divided. In all, the court disposed of about 112 cases this term (with 100 actual written opinions), as against 103 cases and 100 opinions last year.

Work habits of justices vary, of course. Some work harder than others and more than others. Douglas appears

to work even during oral arguments, with a pencil behind his ear, often writing or sending a page for a book from the court's 200,000-volume law library. Many work occasionally at night in their court offices; Burton, court officials say, works practically every night. Others take work home regularly; Frankfurter does this.

• **Inner Sanctum**—All the justices' offices are on the main floor of the Court Building, arranged behind impressive brass gates in a U-shape around the courtroom. This puts them close to the courtroom and the book-lined conference room, which adjoins the Chief Justice's office, behind the courtroom.

The conference room is the inner sanctum, as inviolate a conference room as there is in the world. No one but justices are permitted in the room during conference sessions, held regularly every Friday at 11 a.m. The Friday conference is another break with custom for the Warren court: Since 1898, the court had heard oral arguments six days a week—from 12 noon to 4:30 p.m.—and held Saturday morning conferences.

The conferences are presided over by the Chief Justice, who sits at one end of a long table, topped with dark green velvet. The senior justice—Black—sits on the opposite end of the table, with the remaining justices alternating by seniority on the right and left of the chief down sides of the table.

• **Procedure**—Conference sessions are devoted to considering what cases to accept, and also how cases that have been accepted and argued are to be decided. In all conferences, the Chief Justice brings up a case first and gives his arguments on it. This function, among others, gives a Chief Justice the opportunity to lead the court. After the chief, members speak in order of seniority. When all have finished, the votes are cast in reverse order—starting with the most junior man and ending with the Chief Justice.

Then comes the decision as to who is to write the majority opinion. In all cases where he is on the majority side, the assignment is made by the Chief Justice—undoubtedly the single most powerful tool a Chief Justice has to shape the work of his court.

If the Chief Justice is on the minority side, then the most senior member of the majority assigns the writing of the opinion. Dissenters are free to join one dissenting opinion or write individual dissents.

The writing of opinions is a major part of each justice's work. Each opinion is, of course, circulated around the members of the majority for suggestions—a first draft rarely survives entirely. The minority justices as well look at the final version, which helps explain why so many dissenting opinions are so well written.

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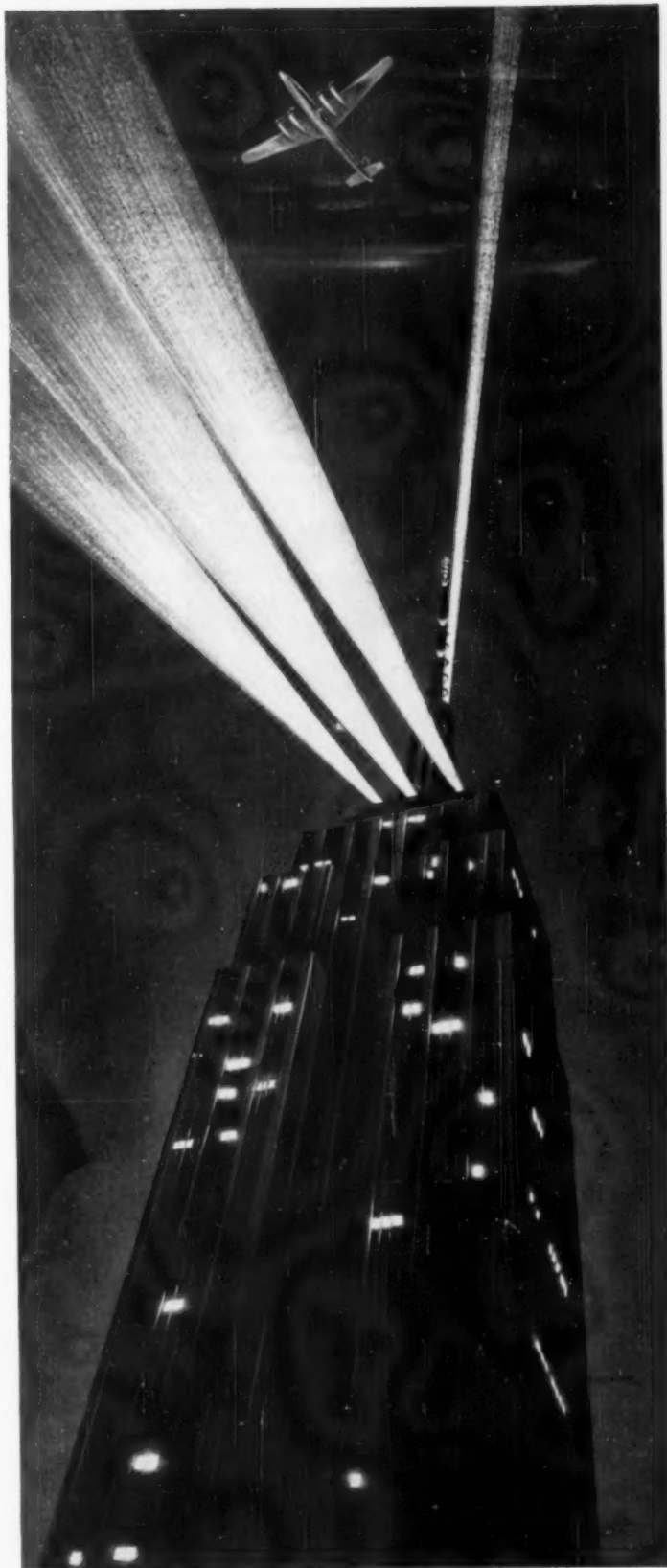
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In Business

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West Coast Chain Buys Up Sloane's, Oldtime Carriage Trade Furniture House

Another venerable name—W. & J. Sloane, once a furniture retailer exclusively to the carriage trade—succumbed to the merger trend this week. Barker Bros. Corp., a major and still growing West Coast furniture chain, took over the 114-year-old outfit in what was described as a complicated exchange of stock, notes, and cash.

Actually, being part of a chain is not entirely new for Sloane. In recent years it had strung out a few branches in the area of its native New York, and had also blossomed on the West Coast. Sloane had also been dabbling in a middle class market well below its original elite target.

Barker Bros. says Sloane's will maintain its separate identity. Last year, Barker's sales were nearly \$42.7-million, Sloane's were \$32-million in the fiscal year ended Feb. 28.

Bay Petroleum Corp., wholly owned subsidiary of Tennessee Gas Transmission Co., is expanding its retailing operations from the Colorado area into the Southeast. This week it bought 75 gas stations plus ancillary facilities in the area from Citizens Oil Co., thus acquiring a sure market for 2.5-million bbl. of its 6.5-million-bbl. annual production of refined products.

The Air Is Full of Mergers

The corporate mating season reached something of a peak in the closing weeks of June.

Last week, plans were announced to merge Toronto's Salada Tea Co., Ltd. (sales: \$18-million in Canada, \$12-million in the U.S.), with the food empire of Sherriff-Horsey Corp. . . . Jones & Laughlin Steel Corp. will pick up Cold Metal Products Co., of Youngstown, via a stock exchange, if CMP shareholders approve.

Other deals are still in the negotiation stage. Gardner-Denver Co., of Quincy, Ill., says it has received another merger proposal from Dresser Industries, Inc. GDC says the terms do not interest it. . . . H. K. Porter Co. is far along in negotiating to acquire the Cleveland Hardware & Forging Co.

• • •

U. S. Court Refuses to Extend Alcoa's Stay in Antitrust Limbo

The Aluminum Co. of America this week is out from under the antitrust cloud that has hung over it since 1937. Federal Judge John M. Cashin in New York denied a request for another five-year period in which Alcoa could be ordered to divest itself of plants. The Justice Dept. has not yet announced whether it will appeal Cashin's ruling.

The antitrusters sued Alcoa in 1937 and finally in 1945 won a ruling that Alcoa had illegally monopolized production of aluminum ingot. In 1950, the first five-year trial period was set up, the idea being to determine at the end whether Alcoa still had a monopoly.

In asking for an extension, Justice argued that it was still "premature" to demand that Alcoa get rid of specific plants but that the competitive situation in the industry remained "inconclusive."

Cashin rejected this plea, on the grounds that Alcoa's relative share on the aluminum market had declined in the past five years, while its chief competitors—Kaiser Aluminum & Chemical Co. and Reynolds Metals Co.—had "more than maintained their competitive position in the phenomenal expansion of the industry."

• • •

Stock Exchange Bans Stop Orders As Haveg Soars in Price, Volume

Haveg Industries, Inc.—a Wilmington, Del., maker of specialized plastics—shows signs of behaving like Lukens Steel (BW—May 4 '57, p.40). Just before the close of trading Tuesday, the New York Stock Exchange barred the use of stop orders—orders to buy or sell at a price set in advance—for Haveg stock. This drastic step, never taken until the Lukens case, tends to minimize price fluctuations.

Haveg closed Tuesday at \$76 a share—more than triple its low for the year and a substantial advance even from its \$46.75 low the week before. Volume Tuesday was 13,800 shares, compared with only 200 shares on a more typical trading day a month earlier.

Only about half of Haveg's 112,500 common shares are in public hands. This can lead to exaggerated price shifts when activity increases sharply.

The current flurry followed a rumor that Haveg had developed a plastic valuable for guided missiles and rockets.

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Business Briefs

A federal judge in Kansas has granted the Securities & Exchange Commission a temporary order restraining Doctors' Motels, Inc. (BW—Jan. 26 '57, p.91), and its president, Joe M. O'fall, from interstate sale and movement of the company's securities. SEC says it sought the order because the securities are not registered with it; the agency stressed that there was no question of fraud involved.

Thirteen electric companies in six states have ganged up to form the Southwest Atomic Energy Associates for the study and development of nuclear energy as a supplementary fuel in the area.

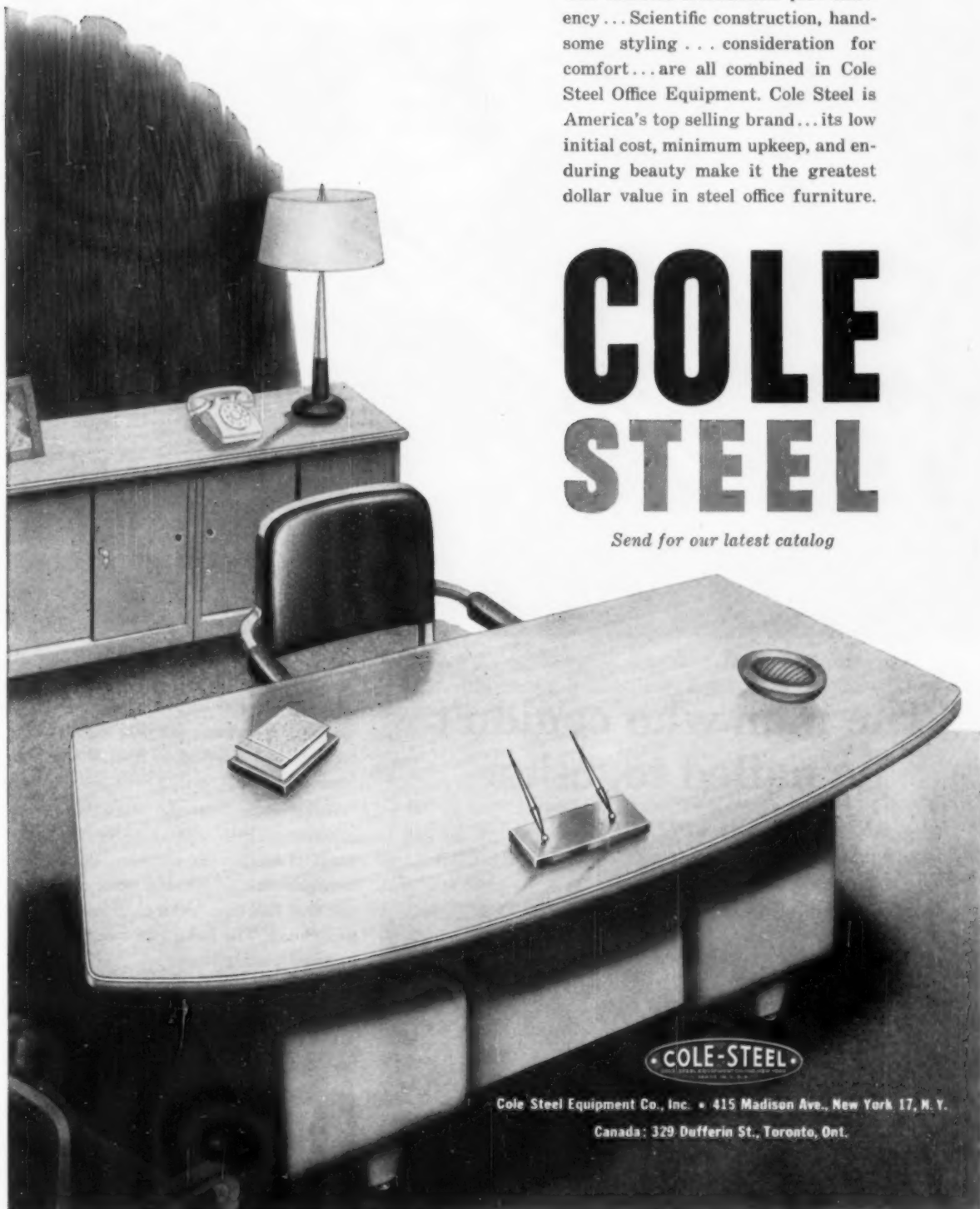
Construction awards in May were 14% above the year-before month, says the F. W. Dodge Corp. Heavy construction work gave the big upward push, helped by a spurt in homebuilding.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 6, 1957



Washington will continue its orthodox inflation fight—a combination of (1) tight money and (2) Presidential appeals for restraint by labor and management.

There's no real thought of economic controls at this time. The policy will be the same as in the past. Emphasis will be on keeping the budget in balance and on credit tightening to avoid a living-cost spiral.

This means that many prices will continue to rise. In their wake will come more production cost increases as so-called escalator clauses in labor contracts add pennies-an-hour to wages. It's a slow spiral. But the trend is up. And there's no answer to questions of when it will stop.

But businessmen should be aware of the second guessing going on about past performance. It won't influence the short-term trend. It does offer some clues though as to what the Washington attitude will be when the current boom runs its course and the next "adjustment" sets in.

Federal money managers see a mistake they made that they feel has contributed heavily to the current uptrend in prices.

Here's what a reporter hears now on the Washington financial beat:

Government moved too fast in 1953, when we had the post-Korea slide. Officials got worried that a real recession might be in the making. You had a new Washington Administration at that time—Eisenhower was just taking over.

You got tax cuts and credit relaxations, all with the idea of heading off a downturn and setting business back on the climb toward new highs.

Current figuring is that these moves were too quick, turned things around before the economy had an opportunity to get rid of the water taken in during the Korean War. The result, according to this line of reasoning, is that the current boom started at too high a level and that the consumer is paying for it in steadily rising prices. Washington makes little or no effort to hide its fears that the steel price hike (page 30) will spread out and add another turn or two to living costs.

Here's the point to have in mind, as you make future business plans:

Washington will be slower to move on the next business slide. What this means is that the Federal Reserve Board will be slow to pump up the credit supply when the next softness comes. A mild turndown in production and employment figures won't be enough to bring on a policy reversal. Officials say they will wait until there is some lowering of prices.

There's a tax angle, too. Most Eisenhower advisers feel that, from the strictly economic point of view, any future tax relief should wait until prices have simmered down. Only last week you read about the new position of the Democrats in Congress which conditioned tax relief more on economic conditions than on the budget needs of the government (BW—Jun.29'57, p44).

You will see this trend of thinking developed as the Senate Finance Committee continues its hearings on Eisenhower fiscal and monetary policy. Hearings to date have made Treasury Secy. Humphrey squirm, even though he is about to quit Washington. It may well be that when Reserve Board

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 6, 1957

Chmn. Martin gets on the stand, he will agree that the credit easing of 1953 was premature. And he may come right out and say that it will take more than a few soft spots in the economy in the future to make the board relax its tight money policy.

Is there any chance of a sharp policy shift? The answer at this time is a flat "no." Pres. Eisenhower is committed to fighting inflation with credit restrictions and with appeals to labor and management to go slow on actions that raise consumer prices. But there are competent observers of the Washington scene who feel a departure might well be made if current business strength runs on into next year.

The point they make is this: The tight money policy is forcing the government to pay higher and higher interest rates on the huge national debt. And every time the rate goes up on a new refinancing, the price of outstanding government obligations drops. These observers feel there's a limit on how high government interest rates can go and on how far government bond prices can fall. They don't try to define this limit. Their point is that a real financing problem may develop. If and when it does, weapons for the inflation fight can be switched quickly—from credit restrictions to direct controls.

Congress is heading into a real snarl—one that can delay much pending legislation until next year.

The Senate will tackle the civil rights issue, probably within a week. Once this measure is taken up, all other legislation, with the exception of the regular government appropriation bills, will be pushed aside.

There will be a bitter filibuster. Eisenhower Republicans, with the help of a bloc of Northern Democrats, can win on this issue, if they decide to fight it to a finish. But there is no certainty that they want to dispose of this political hassle at this time. One GOP veteran observed privately this week that the "right-to-vote" issue may be worth more to the Republicans as an election issue than as a passed bill.

A showdown civil rights fight will sidetrack many major bills.

The question of Presidential succession probably will go over until next year. Involved here is who in government will decide when a President is incapacitated and the Vice-President should take over.

Federal aid to schools will be easy to sidetrack. Economy sentiment has chilled the interest of both parties in this issue.

Statehood for Alaska was supposed to have its best chance this year. But the House won't O.K. it, if it appears Senate action is blocked.

TVA expansion through its own financing seems unlikely. There's much support for legislation authorizing TVA to issue its own bonds. But there's no disposition to prolong the session to act on this bill.

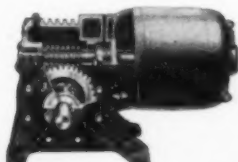
Niagara power development may be held back until next year, despite the compromise that would bring in both private and New York State interests.

Public development of Hells Canyon power will run into a Presidential veto, even if the House votes the Senate-approved bill.

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And Master can deliver the goods for *you*! Master components can be integrated in any combination to give you the right horsepower, right shaft speed, right mounting features, in a single, efficient compact unit. See Master for your drives!

- Motor Ratings..... $\frac{1}{8}$ to 400 H.P. All phases, voltages, frequencies.
- Motor Types.....Squirrel cage, slip ring, synchronous, repulsion-start induction, capacitor, direct current.
- Construction.....Open, enclosed, splash-proof, fan-cooled, explosion-proof, special purpose.
- Speeds.....Single-speed, multi-speed, and variable speed.
- Installation.....Horizontal and vertical, with or without flanges and other features.
- Power Drive Features.....Electric brakes (2 types)—5 types of gear reduction up to 432 to 1 ratio. Mechanical and electronic variable speed units—fluid drives—every type of mounting.

MASTER ELECTRIC MOTORS

For whatever you fabricate ...

N-A-X FINEGRAIN STEEL COMBINES STRENGTH WITH FORMABILITY

Among the many economical advantages of N-A-X FINEGRAIN—a low-alloy, high-strength steel with widely diversified applications in modern metals design—is its combination of great strength with excellent formability. Even at the higher strength levels (50% greater than mild carbon steel) N-A-X FINEGRAIN can be cold formed and drawn into difficult stampings and cold formed shapes.

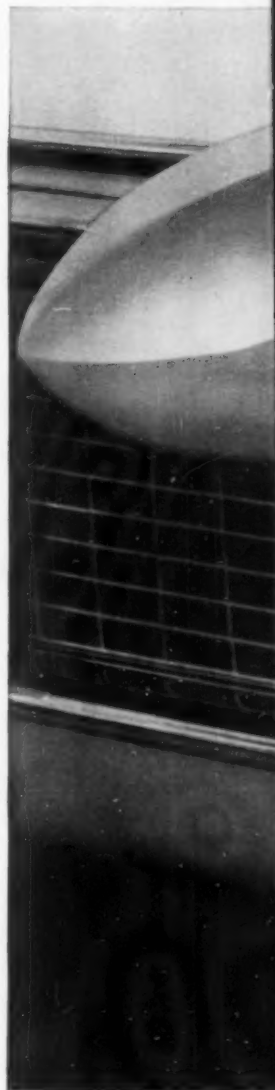
Take these qualities and add the ability of N-A-X FINEGRAIN to be readily polished to a high luster at minimum cost, and when plated, you have a steel ideally suited for such applications as bumpers, bumper guards, and many others where strength and toughness with good finish is important.

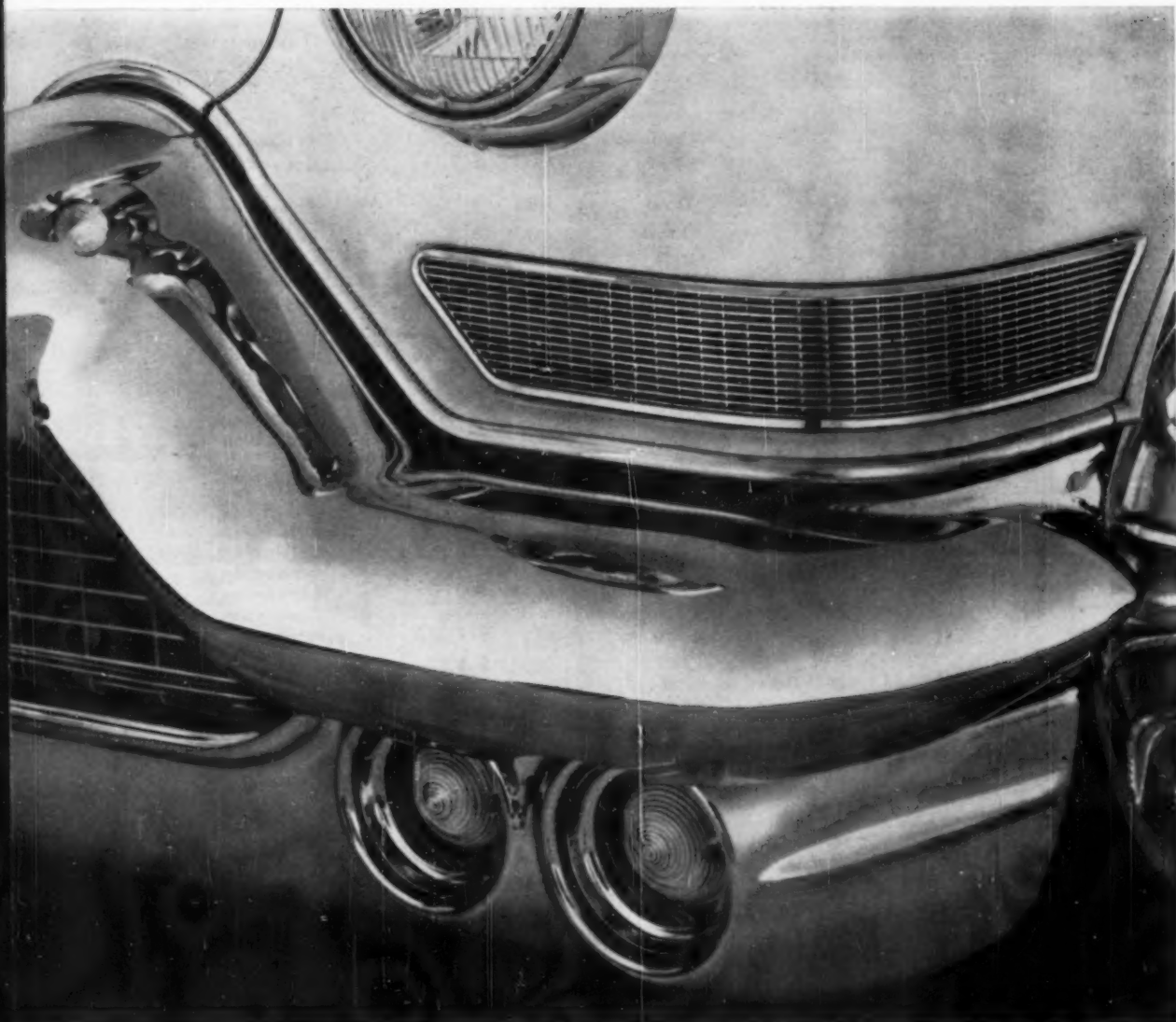
Engineers and designers like N-A-X FINE-

GRAIN especially because its physical properties are inherent in the “as rolled” condition. No subsequent treatment is needed to insure its characteristics.

Check these other important advantages: N-A-X FINEGRAIN steel, compared with carbon steel, is 50% stronger • has high fatigue life with great toughness • is stable against aging • has greater resistance to wear and abrasion • is readily welded by any process • offers greater paint adhesion. NOTE: Where greater resistance to atmospheric corrosion is an important factor, our N-A-X HIGH-TENSILE steel is recommended.

For whatever you fabricate, from bumpers to bulldozers, with N-A-X HIGH-STRENGTH steels you can design longer life, or less weight, and economy into your products. Let us show you how.





One of many applications where N-A-X FINEGRAIN'S strength with formability saves production money.



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GREAT LAKES STEEL CORPORATION

Detroit 29, Michigan • Division of



N-A-X Alloy Div., Dept. BW-4

Great Lakes Steel Corp., Detroit 29, Mich.

- ☐ Please send me technical data on N-A-X FINEGRAIN steel.
- ☐ Please have your representative contact me.

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LABOR

UNION OFFICIALS: Who They Are, How Much They

UNION	MEMBERSHIP	OFFICERS	SALARY	OTHER PAY	YEARS IN OFFICE	HOW ELECTED	TERM IN YEARS
Railway Clerks	293,500	George Harrison	\$60,000	\$ 4,719	29	Convention	4
Operating Engineers	200,000	William E. Maloney	\$55,000	\$ 5,000	17	Referendum	4
Teamsters	1,231,000	Dave Beck	\$50,000	\$ 9,194	5	Convention	5
Teamsters	1,231,000	John English (Sec.)	\$50,000	—	11	Convention	5
Mine Workers	Not Reported	John L. Lewis	\$50,000	—	37	Referendum	2
Steelworkers	1,194,000	David McDonald	\$50,000	—	4	Referendum	2
Iron Workers	139,462	J. H. Lyons	\$41,650	—	9	Convention	4
Hod Carriers	433,125	Joseph Mareschi	\$39,000	—	31	Convention	5
Sheet Metal Workers	50,000	Robert Byron	\$37,523	—	18	Convention	4
Plumbers	240,720	P. T. Schoeman	\$35,202	—	1	Convention	4
Carpenters	804,343	M. A. Hutcheson	\$34,800	\$ 2,555	5	Referendum	4
Retail Clerks	265,000	James Suffridge	\$32,958	—	13	Referendum	4
Maintenance of Way Employees	219,191	T. C. Carroll	\$30,000	—	10	Convention	3
Bricklayers	147,157	Harry C. Bates	\$30,000	—	21	Convention	4

\$20,000 — \$30,000

Printing Pressmen	98,967	Thomas Dunwoody	\$28,441	—	5	Referendum Vote by Locals as Units	5
Distillery Workers	25,200	Joseph O'Neill	\$28,375	—	—	Convention	4
Stage Employees	42,000	Richard F. Walsh	\$26,450	\$ 2,516	16	Convention	2
Longshoremen (ILA)	65,000	William Bradley	\$25,533	—	4	Convention	4
Screen Actors	9,500	John Dales (Sec.)	\$25,475	\$ 1,375	—	Appointive	—
Firemen & Enginemen	95,000	H. E. Gilbert	\$25,000	\$ 5,524	4	Convention	4
Television & Radio Artists	15,000	Don Conway (Sec.)	\$25,000	—	—	Appointive	—
Machinists	864,095	A. J. Hayes	\$25,000	—	8	Referendum	4
Jewelry Workers	32,000	H. J. Powell (Sec.)	\$24,347	—	—	Referendum	2
Communications Workers	300,000	Joseph A. Beirne	\$23,950	—	14	Convention	—
Garment Workers	440,650	David Dubinsky	\$23,400	—	25	Convention	2
Musicians	248,078	James C. Petrillo	\$23,000	—	17	Convention	—
Plasterers	65,000	John E. Rooney	\$22,600	\$ 9,327	17	Convention	4
Bookbinders	54,316	Robert Haskin	\$22,804	—	4	Referendum	4
Electrical Workers (IUE)	361,639	James B. Carey	\$22,500	—	7	Convention	2
Firemen & Oilers	60,000	Anthony Matz	\$22,150	—	—	Convention	4
Auto Workers	1,239,000	Walter Reuther	\$22,000	—	11	Convention	2
Electrical Workers (IBEW)	630,000	Gordon Freeman	\$21,000	—	—	Convention	2
Meat Cutters	335,167	Earl Jimerson	\$20,000	\$12,400	—	Convention	4
Boot & Shoe Workers	40,000	John J. Mara	\$20,540	—	28	Convention	2
Oil, Chemical Workers	180,000	O. A. Knight	\$20,444	—	17	Convention	2
Clothing Workers	385,000	Jacob Potofsky	\$20,385	—	11	Referendum	2
Boilermakers	150,000	William A. Calvin	\$20,000	—	3	Convention	4
Building Service Empl.	206,692	Wm. L. McFetridge	\$20,000	—	17	Convention	5
Railway Carmen	170,000	A. J. Bernhardt	\$20,000	—	3	Convention	4

\$15,000 — \$20,000

Railroad Trainmen	204,397	Wm. P. Kennedy	\$19,771	—	8	Convention	4
Laundry Workers	73,204	Sam Byers*	\$19,516	—	12	Convention	4
Maritime Union	43,000	Joe Curran	\$19,000	—	20	Referendum	2
Hotel & Restaurant	412,946	Ed S. Miller	\$18,000	\$12,810	3	Convention	2
Asbestos Workers	9,000	Carl Sickles	\$18,000	\$ 8,200	3	Convention	5
Grain Millers	32,378	Samuel P. Ming	\$18,582	—	9	—	—
Chemical Workers	90,000	E. R. Moffet	\$18,402	—	4	—	—
Roofers	17,298	Chas. Aquadro	\$18,397	—	17	Convention	2
Textile Workers (UTW)	90,000	Anthony Valente	\$18,190	—	13	Convention	2
Painters	220,000	L. M. Raftery	\$17,600	\$13,326	5	Convention	4
Street Rw. Workers	190,000	A. E. Spradling	\$17,249	\$ 4,944	11	Convention	2

Are Paid, How They Are Elected

UNION	MEMBERSHIP	OFFICERS	SALARY	OTHER PAY	YEARS IN OFFICE	HOW ELECTED	TERM IN YEARS
\$15,000 — \$20,000							
Bakery Workers	160,000	James G. Cross	\$17,500	—	7	Referendum	5
Glass Bottle Workers	51,000	Lee Minton	\$17,500	—	11	Convention	2
Marine Engineers	9,000	H. L. Daggett	\$16,920	—	8	Convention	2
Jewelry Workers	32,000	Joseph Morris	\$16,745	—	10	Referendum	2
Textile Workers (TWUA)	292,500	Emil Rieve*	\$16,307	\$ 4,012	13	Convention	2
Metal Polishers	20,000	Ray Muehlhoffer	\$16,076	—	8	Referendum	2
Hatters	40,000	Alex Rose	\$15,600	—	7	Convention	2
Leather Workers	28,000	Ossip Walinsky	\$15,667	—	6	Convention or Referendum	3
Mechanics (MESA-UAW)	—	Matthew Smith	\$15,171	—	—	—	—
Barbers	85,000	Wm. Birthright	\$15,000	—	20	Convention	5
Retail Workers	140,000	Max Greenberg	\$15,000	—	3	Convention	3
Utility Workers	81,000	Joseph Fisher	\$15,032	—	12	—	—

\$12,000 — \$15,000							
Elevator Constructors	8,643	E. A. Smith	\$14,000	\$15,750	1	Convention	5
Allied Ind. Workers	120,000	Earl Heaton	\$14,999	—	3	Convention	2
Insurance Agents	12,604	George Russ	\$14,499	—	19	—	—
Brick & Clay Work.	23,000	H. R. Flegel	\$14,808	—	—	Referendum	1
Woodworkers	105,058	A. F. Hartung	\$14,785	—	5	Referendum	2
Photo-Engravers	16,032	W. T. Connell	\$14,300	—	3	Convention	1
Masters, Mates	9,500	John Bishop (Sec.)	\$14,044	—	—	Convention	2
Pattern Makers	13,800	Geo. Lynch	\$14,000	—	23	Referendum	2
Telegraphers	30,000	W. L. Allen	\$14,074	—	36	Convention	2
Fire Fighters	85,000	John Redmond	\$13,000	\$ 9,026	11	Convention	2
Paperworkers	50,000	Harry Sayre	\$13,953	—	10	Convention	1
Packhouse Work.	—	Ralph Helstein	\$13,867	—	11	Convention	1
Marble Polishers	6,500	Wm. McCarthy	\$13,000	—	25	Convention	4
Tobacco Workers	33,967	John O'Hare	\$12,564	—	13	Convention	4
Rubber Workers	175,000	L. S. Buckmaster	\$12,000	\$ 4,166	12	Convention	1
Transport Workers	90,000	Michael Quill	\$12,000	—	22	Convention	2

\$7,500 — \$12,000							
34 unions							

\$7,500 or Less							
Electrical Work. (UE)	—	A. J. Fitzgerald	\$ 7,500	—	16	Convention	1
Transport Service	8,000	W. S. Townsend*	\$ 7,500	—	17	Convention	2
Stone Cutters	1,900	Paul Givens	\$ 7,000	\$ 3,649	18	Referendum	3
Hosiery Workers	15,000	Alex McKeown*	\$ 6,500	—	18	Convention	2
Mailers	3,300	H. A. Hosier	\$ 6,500	—	6	—	—
Stove Mounters	14,000	Jos. Lewis	\$ 6,115	\$ 2,748	13	Convention	3
Granite Cutters	4,051	C. Pagnano	\$ 6,000	—	6	Referendum	4
Bill Posters	1,800	Michael Noch	\$ 5,606	—	3	Convention	2
Agricultural Workers	7,136	H. L. Mitchell	\$ 5,433	—	13	—	—
Glove Workers	2,900	Thos. Durian	\$ 5,115	—	20	Convention	2
Lithographers	27,976	Geo. Canary	\$ 4,730	—	—	Referendum	2
Misc. Independents							

*No longer in office.

Story starts on page 48

In a **GLOVE COMPANY**
or in a **GAS ENGINE PLANT...**

KREOLITE **Wood Block Floors** Combine Resiliency and Durability



In a rubber glove manufacturing plant for over a period of 30 years, Kreolite Floors have met every requirement, including employee comfort and easy maintenance.



During a 40 year period, Cooper-Bussamer Corp., Grove City, Pennsylvania, has installed over 100,000 sq. ft. of Kreolite flooring. It has given complete satisfaction and proved its durability.

Strange as it may seem . . . glove manufacturing companies and gas engine building plants do have something alike. Both use Kreolite Wood Block Floors and have found they serve their individual needs ideally.

Because these floors are more resilient, they absorb more noise, shock and vibration. Finished with Kreolite Jennite, they are cleaner and safer, because they are dustless, spark and skid-proof.

Find out why Kreolite Wood Block Floors also provide greater comfort with their cushioning effect. Find out too, why these floors are more durable and easier to maintain to save you important money.



THE
JENNISON - WRIGHT
CORPORATION
TOLEDO 9, OHIO

KREOLITE FLEXIBLE STRIP*
resilient flooring is tops.

*Made of Kiln Dried End Grain Southern Yellow Pine Wood Block in Natural Color



For gym floors and vocational shops,

KREOLITE WOOD BLOCK FLOORS

Railroad Switch and Industrial Track Ties, Piling, Bridge and Dock Lumber.

Union Salaries

Tabulation of labor leaders' pay shows that in general business pays its executives a lot better.

Not many union officials' salaries rank with corporation executives.

That's the first impression left by figures recently read into the Congressional Record by Sen. Styles Bridges (R-N. H.) (table, page 46).

Bridges got his figures from the U. S. Labor Dept., which, under the Taft-Hartley Act, gets an annual financial report from every union using the National Labor Relations Board. The Bridges gambit kicked up a storm. Union people said the Labor Dept. had no right to release the information—to which the department replied that it was given to the Senate's Labor Committee and that what a Senate committee does with its files is its own business. And labor critics said the figures were misleading because they did not show the fat expense accounts enjoyed by some union officers. That is true of the Bridges figures in some cases, though not true in others.

• **What's in It?**—In any event, Bridges has made public for the first time information on a subject now red hot: What does a labor pro get out of it for himself?

To make the listing more meaningful BUSINESS WEEK has added data on how long the listed officials have held office, how they get elected to their posts, and how often they have to be reelected.

In actual fact, the Bridges material must be used carefully. Some unions use different reporting methods than others. Thus, some salary figures might actually be the aggregate paid to union executives—including expense accounts and allowances—instead of just the salaries.

Highlights of the report show:

• Of 146 unions reporting, two-thirds pay their top official less than \$20,000 per year and 50 pay them less than \$12,000.

• Size of the organization really has little bearing on its salary schedule.

• Nine top labor leaders have served in their posts a quarter century or more; half have held their jobs less than 10 years. John L. Lewis is the oldest in point of service, with 37 years as president.

• George Harrison of the Railway Clerks stands alone at the top of the list with a salary of \$60,000 per year.

• Roughly 70% to 75% of all union officers are elected at conventions, the others by referendum. **END**

A black and white photograph of a hand holding a magnetic tape reel. The words "A T O * M A T I O N" are arranged in two rows of boxes, with the asterisk in a box between "O" and "M". Above the "O" in the top row is the word "WILL". Below the "O" in the bottom row is the word "INCREASE". Below the "M" in the bottom row is the word "YOUR". Below the "I" in the bottom row is the word "COMPANY'S". Below the "O" in the bottom row is the word "PROFITS?".

WILL

A T O * M A T I O N

INCREASE
YOUR
COMPANY'S
PROFITS?

This tape is an important application of *AUTOMATION—
it records electronically the billing data on telephone calls.

While there are many differing applications of automation, there is complete agreement on its objectives—better jobs, increased productivity and increased profits.

Over 1,000 firms are now engaged in making automatic equipment and such equipment has been installed in some 100,000 plants in the past few years. Automation may well prove to be industry's greatest single contribution to our nation's ever-rising standard of living.

How Modern Banking Helps . . . Manufacturing automatic equipment—and buying it, too—requires careful financial planning. And sound planning necessitates the cooperation of able, imaginative bankers—such as the senior officers of The Bank of New York. They will be happy to work closely with you and your organization.

THE BANK OF NEW YORK
New York's First Bank • Founded 1784

Main Office: 48 WALL ST. ☆ Uptown Offices: 530 FIFTH AVE. ☆ MADISON AVE. AT 63rd ☆ MADISON AVE. AT 73rd
Member Federal Deposit Insurance Corporation



Convenience and Safety... **On the Electronic Highway**

- *Behind the scenes as you travel today's turnpike, a wide range of versatile electronic devices—using Mallory precision components—constantly work to assure your convenience and safety.*

As you roll through the turnpike toll gate, electronic "brains" compute the amount of money taken in, audit the figures, even make a photographic record of your license plate.

In service areas electronic controls brighten lights automatically as twilight falls. You stop for a meal at an air-conditioned restaurant kept dust-free electronically, with service speeded by electric sandwich drawers and automatic conveyors.

On the highway itself, a fleet of police, road service and maintenance vehicles are tied together in a complex radio and micro-wave communications network to provide protection and assistance all along the road. Every incoming and outgoing call is heard in every room of every building and sub-station . . . all calls and conversation with motorists are automatically tape recorded. At no time can you get "lost" . . . or be more than brief minutes from assistance.

In many aspects of everyday life, a wide variety of Mallory components—switches, contacts, capacitors, controls, vibrators—helps electronics work for you. Their precision performance is the result of Mallory's long, pioneering experience in the dynamic fields of electronics, electrochemistry and specialized metallurgy. This has made . . .

Mallory the company at home in tomorrow—serving the broad range of America's growth industries in many important ways.

MALLORY

SERVING INDUSTRY WITH THESE PRODUCTS:

Electromechanical • Resistors, Switches, Tuning Devices, Vibrators
Electrochemical • Capacitors, Mercury and Zinc-Carbon Batteries
Metallurgical • Contacts, Special Metals, Welding Materials

P. R. MALLORY & CO. Inc., INDIANAPOLIS 6, INDIANA



RARE informal shot shows Walter Reuther (center), Vice-Pres. Richard Gosser (left), and Secy.-Treas. Emil Mazey at UAW outing.

The Plan to "Humanize" Reuther

Detroit is still debating what's behind the United Auto Workers' campaign to make Reuther a flesh-and-blood figure.

TO RANK-AND-FILEERS, the president of most sprawling international unions today is someone remote—a picture in a labor paper, a distant form at the lectern for those who attend conventions, a hurried visitor at a local union gathering.

The great growth of labor over the past two decades has brought to an end the days when the chief executive of a union could be "one of the boys," with an opportunity to maintain a close rapport with his dues-payers. Today's unions, with their vastly expanded interests and responsibilities, are a full-time job. Their presidents have become as remote as corporation heads or public figures with comparable jobs.

Take Walter Reuther of the United Auto Workers, for instance. Once an auto worker fighting for unionism on the picket line, he has turned into an important public figure, never completely out of the public eye, almost always guarded. When he wants to hobnob with his members, and can find the time to, his activities must still be circumscribed.

This means that, through the years, Reuther has lost sharp definition as a warm-blooded human being to most of his 1.5-million members. He is respected as an effective leader, but gets little fellow-feeling from those in the auto union.

Reuther is similarly remote to his opponents at the bargaining table—a cold, implacable machine; a nonsmoking, nondrinking, steady, argumentative man who wears down his opposition by sheer physical impact and flow of words.

To the general public—the nonunion public—he is usually even more remote, a cold fencing master on a television interview program, or, perhaps, a man created and obscured by a steady flow of press releases from UAW's Solidarity House in Detroit.

• **Why the New Look?**—Early in May, the remote, inaccessible Reuther suddenly became accessible. The reasons are still being debated. Is Reuther, who has ambitions within AFL-CIO and perhaps politically, being "humanized" by UAW public relations people be-

cause of one of these long-term objectives? Or, are steps being taken to contrast Reuther's way of life with that of Dave Beck, as disclosed in Senate hearings? Or, is Reuther's new look perhaps connected with the auto union's bargaining strategy for 1958?

The big auto companies are inclined to think that the last explanation is the right one. One official commented pithily: "Before every new bargaining, when Walter's got something to sell, he becomes accessible." Whatever it takes to put a point of view across to the public, Reuther can be counted on to do it.

• **Open House**—His change—for 1957—started out with a "day in the country" for Detroit-area labor reporters, to give them an opportunity to visit Reuther in his home. A number of public appearances since then support a theory that Reuther has something to sell—and is putting it on view.

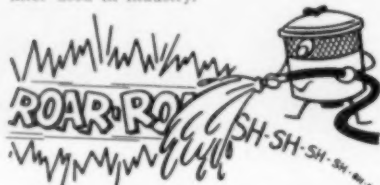
UAW public relations men opened up a guarded secret in letting newsmen visit the home of its leader. Since the shotgun attempt on Reuther's life in 1948, the giant auto union has answered all inquiries about the Reuther residence with a stubborn silence. The habit of years still persisted during the

AIR-MAZING FACTS

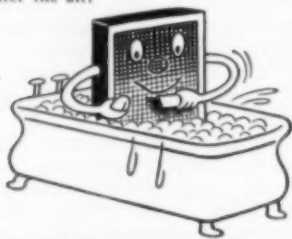
BY O. SOGLOW



MOUTH-BREATHERS ARE OUT! A famous scientist, studying effects of industrial dust, advises that only men who breathe through their noses should be employed on jobs with silicosis hazards. We don't make nose filters, but we do manufacture every other type of filter used in industry.



BROWNS NOISY AIR! Air rushing through engine and compressor intakes often sets up a racket that makes employees jittery, annoys neighbors. Keep 'em happy by using Air-Maze filter-silencers. They muffle the noise as well as filter the air.



NEW FILTER TAKES ITS OWN BATH! Automaze automatic air filters stay clean by continuously taking a bath. Special "pulse-action" thoroughly washes each panel automatically, renews adhesive. Goes 3 to 6 months without attention.

FOR ANY DEVICE THAT USES AIR OR LIQUIDS. For engines, compressors, air conditioners, ventilators—or any device using air or liquids—there is an Air-Maze filter engineered to match each need. Filter-trained representatives in all principal cities will be glad to help you solve your dirt-removal problems. For condensed product catalog, write Air-Maze Corporation, Dept. A-7, Cleveland 28, Ohio.

AIR-MAZE

The Filter Engineers

AIR FILTERS • SPARK ARRESTERS • LIQUID FILTERS
SILENCERS • OIL SEPARATORS • GREASE FILTERS

hour-long auto ride out from Detroit when a UAW man tactfully suggested "... it would be deeply appreciated if you [the press] would not precisely identify the location of Walter's house, about 35 miles northwest of Detroit would please us."

The four-acre plot where Reuther lives is entered from a public road via a short private drive. His house is almost invisible from the public road. Close to the road a one-and-one-half story white dwelling houses security guards. There is no outward display of armament, but the confident, unsmiling approach of a lean, sport-shirted man leaves no doubt that strong measures are instantly available.

To reach the house where Reuther lives with his wife and two teenaged daughters one must pass to the rear of the security house and then through a gate in a 10-foot high steel fence.

Once through the fence, the route leads across a wide lawn and over a bridge that spans a stream to a tiny island. The path leads across the island to another bridge spanning a swift stream to another small island where Reuther's house, a rambling redwood and glass structure stands. The boiling water of a prime trout stream gives rise to a favorite Reuther joke, "I'm the only union leader who lives behind a moat."

• **Gracious Host**—Reuther is a proud host. Proud of his wife, an attractive woman who is completely at home in her kitchen, as a gracious hostess and as the helpmate of her husband in the brawling uproar of a national union convention.

He is justifiably proud of the fine cabinet work that he has created with his hands. "What do you think of my new bookcase," he says, pointing to a built-in bookcase that reaches from floor to ceiling. "I made it out of walnut and finished it with boiled linseed oil. That way, if it gets scratched, it's a simple matter to refinish it."

With the sure sense of drama that has characterized his union career, he leads visitors into his bedroom to see the hi-fidelity cabinet he built, then pauses with a little grin as the visitor's eye is caught by the sight of a brawling trout stream that tumbles by the vast picture window that stretches across most of one wall.

• **Therapy**—In his workshop, he shows off his tools proudly. "May is happy that I finally put the power saw out here," he grins. "We've had it in the house for so long—it seemed that it was part of our bedroom furniture." He fondles the heavy steel and leather brace he wore for months after his right arm was shattered by the shotgun blast intended for his chest.

"Just look," he says, pointing at the narrow diameter of the leather brace,

"my arm was only that big, even with the bandages on." Rebuilding this old house brought it back.

"At first I could only drive two nails. Then I'd have to stop and rest and massage my arm. Now I can use it for almost anything. Carpentry and work around here brought it back."

It has taken a lot of carpentry—and a lot of Reuther's own money. Only one room of the original farmhouse that Reuther bought is still left; the rest of the modern house is Reuther design and Reuther construction—even to the flight of stairs leading to the second floor, each tread supported by one slender steel rod hung from the ceiling. "I don't work from any plans so I have to be very careful."

"The really heavy rebuilding I didn't do," admits the union leader. "I didn't do the big picture windows, either; the union insisted on buying bullet-proof glass for the house and I couldn't put that in by myself." He shook his head ruefully. "Those bullet-proof windows don't open. I wish they had insisted on buying air conditioning also."

• **New Image**—In contrast to his usual sober, determined air, Reuther, dressed in slacks and sport shirt, was almost boyish. He herded the newsmen into a line to fill plates at his wife's buffet spread, chortling that the occasion had given him a day off.

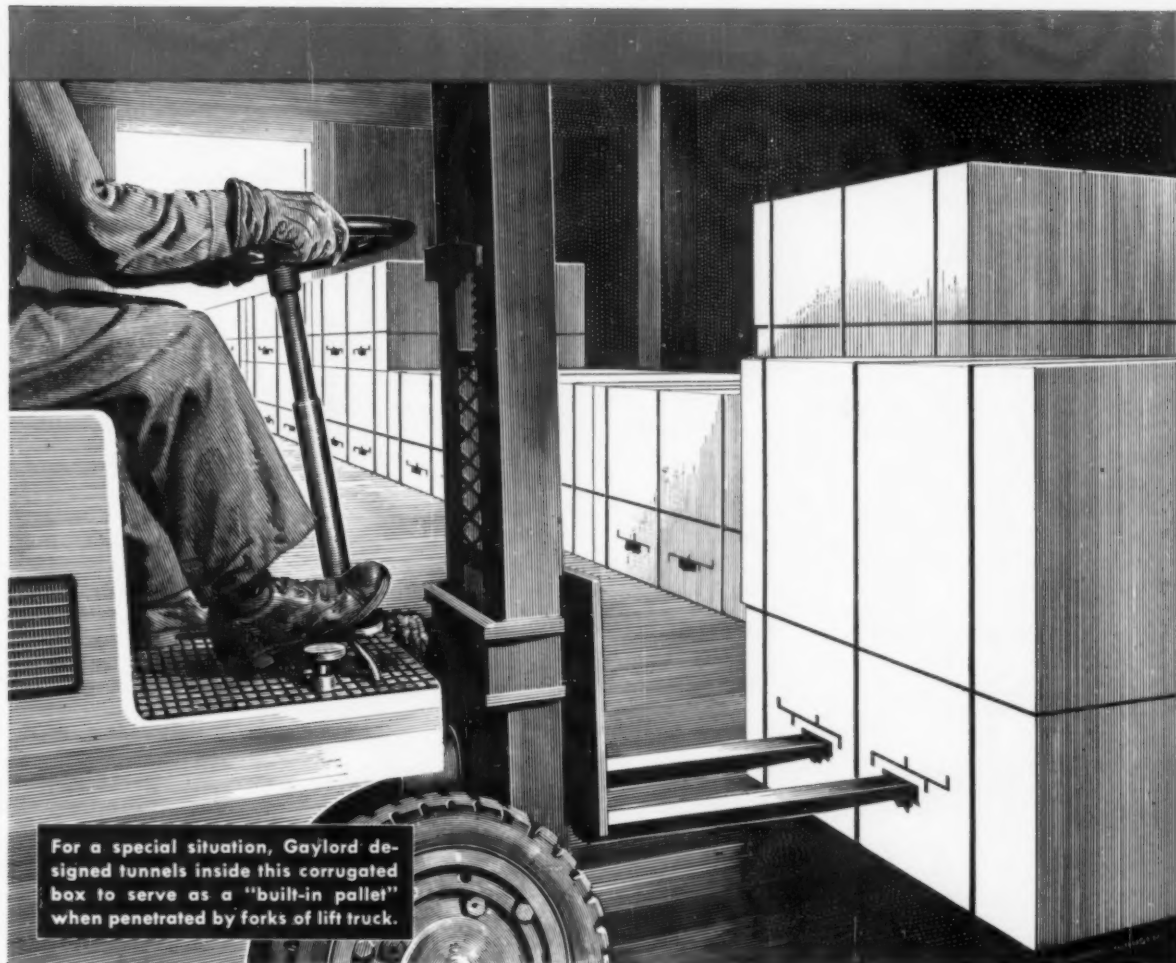
Showing off his house, touring the modest grounds, watching a magazine writer wet a fly in his trout stream, reaching through the wire fence to pat two German Shepherds that patrol the grounds inside the wire fence at night, showing off his old tool box ("My social security"), pointing out the pony he keeps for his daughters, Reuther exhibits a side of his character that has long been hidden. It confuses those who have thought that his strength and his ultimate weakness lay in his coldness.

• **Back to Business**—In his living room, Reuther expounds his route to a shorter work week and all the other benefits that he thinks labor deserves.

But backing it up and giving it depth and new authority are the presence of May Reuther and the steady comfort and orderliness of the house that Reuther built with his own hands—as he has built his union from the day he battled on the overpass at the Ford Motor Co.

The words and arguments sound a little different in that atmosphere. UAW wants the people to know that the cold fire that burns on the union platform draws its light from this living room.

There may be a new public image of Reuther in the making. But it would be a mistake to believe that the auto industry is going to have any softer an antagonist. **END**



For a special situation, Gaylord designed tunnels inside this corrugated box to serve as a "built-in pallet" when penetrated by forks of lift truck.

EVER SEE BOXES PUNCTURED FOR PROFIT?



A "different way" of packaging like this could create new cost savings for you in packing, handling, warehousing.

Your answer may lie in built-in pallets, bulk containers, drumpaks. Or something entirely new under the sun—something that "couldn't be done" until Gaylord did it for you.

Call your nearby Gaylord packaging engineer now.

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GAYLORD CONTAINER CORPORATION ★ ST. LOUIS

DIVISION OF CROWN ZELLERBACH CORPORATION

In Labor

. . .

Flood of Oratory Fails to Bring Action on Welfare Fund Control

Despite the heavy oratory of labor, management, and the Eisenhower Administration, the drive for federal control of welfare funds is caught on a legislative treadmill—probably to stay until next year.

Senate and House hearings have listened to testimony of an impressive list of witnesses on bills that would make the government overseer of billions of dollars of welfare and pension funds. Most agree that some control should be exercised over the funds—but they differ over how much.

Labor—with the notable exception of John L. Lewis—and the Administration are in general agreement that controls and public disclosure rules should apply to all funds. Lewis, whose union runs a \$103-million welfare fund that he cites as a model for orderly and economical administration, opposes any federal regulation.

Business, banking, and insurance spokesmen are lukewarm about federal controls. If there is to be legislation, it should be limited to funds jointly administered by employers and unions—rather than any “blunderbuss approach” to funds, they contend. Most strongly oppose any laws that might require them to reveal details of their funds, and argue that state laws are sufficient without adding “the unnecessary administrative burden” of a federal law.

The Senate might pass a control bill this session, probably one applying to all welfare and pension funds. However, the House isn't expected to get around to the bills before it until the 1958 session.

. . .

Seniority Piles Up, So Pulp Workers Hold Out For and Win More Vacation

Pulp and paper workers in 45 plants in Washington, Oregon, and California have accepted—in a secret, referendum ballot—a new contract providing a 3½% increase in pay, plus “fringe” increases. The raise works out to an average of 8½¢ an hour; with about a penny more added for nonwage benefits, the total increase is 9½¢.

The terms accepted are, with one significant exception, the same proposals rejected by workers one month earlier. Beginning in June, 1958, those having 10 years seniority will get a three-week vacation. Because about half of the companies' employees expect to qualify, a proposed settlement without the three week vacation clause was rejected.

A union negotiator commented that a year or so ago, before a lot of men came into the 10-year bracket, the settlement would probably have gone through on the original terms.

Meanwhile, the Georgia-Pacific Corp. and some smaller operators in the lumber industry in Oregon and Northern California have signed with their unions for a 5¢-an-hour

raise—but most of the industry still balks at any pay hike this year.

So far, there's no talk of a strike. Jobs are too scarce, and mills are on short work weeks. Unions are biding their time, waiting for a change in the lumber market before they force a showdown for raises equaling—perhaps bettering—those already won at the bargaining tables.

. . .

Marquette Cement Strike Averted By Pact Minus Union Shop

The Marquette Cement Co. and the United Cement, Lime & Gypsum Workers reached an agreement on contract terms as the union prepared to strike Marquette's seven plants this week. Users of cement breathed easier after the settlement. It meant brighter prospects for averting a national tieup of the cement industry.

The Marquette agreement provides pay rises of 11¢ to 20¢ an hour—averaging 13.6¢—retroactive to May 1, plus “fringe” increases estimated to cost 2.4¢ an hour. The one-year pact does not include the union shop demanded by the Cement Workers.

The company employs 2,000 in its plants. At the time of the settlement, the union was on strike against 40 plants operated by other companies and employing 8,000. It was preparing to shut down operations employing more than 10,000 others—a move that would cut the nation's cement production by 75%.

. . .

Brewster Keeps High Teamsters Post Despite Conviction, But Power Ebbs

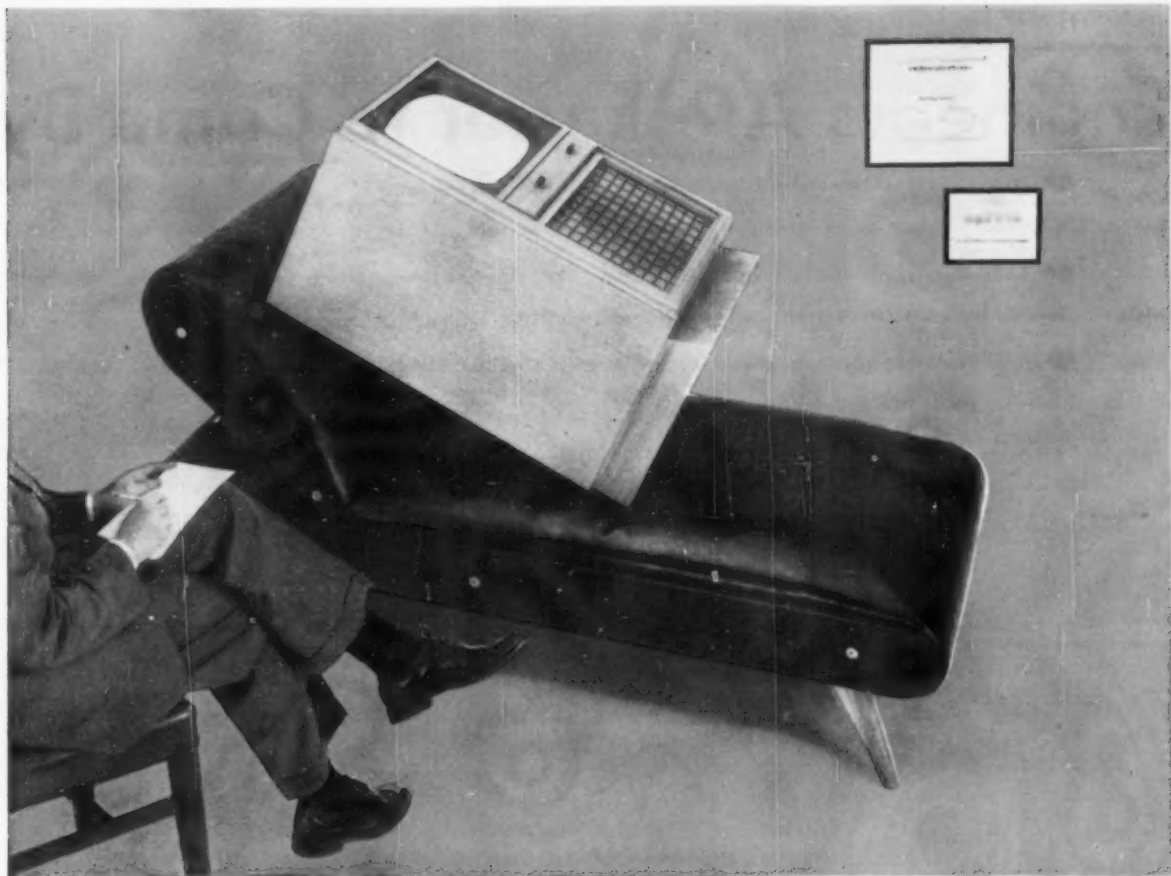
Frank W. Brewster continues as head of the powerful Western Conference of Teamsters, despite his conviction last week on 31 charges of contempt of Congress. However, the president of the 375,000-member conference won't have so much power in the future.

A federal judge found Brewster guilty of contempt of Congress for refusing to testify before a Senate committee or to produce subpoenaed records last January. Although Brewster later testified before another Senate committee, the judge ruled that this did not clear him of his original contempt. The Teamsters' Western chief will appeal the verdict.

Three days before the conviction, Dave Beck named Brewster to a new term as Western Conference president—an appointive job. California Teamsters units had demanded (1) Brewster's ouster, and (2) the right to elect a successor.

After the announcement of his conviction, Brewster won a vote of confidence at a Western Conference convention, and succeeded in easing some curbs in a “reform” program aimed at taking conference controls out of his hands.

For the most part, the program of financial and constitutional reforms passed. Advocates said the new rules will prevent further irregularities such as those revealed by Senate Select Committee hearings, and lessen possibilities for “one-man control” of the conference's affairs.



What the TV Set told the analyst

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On a bench in our Fastening Analysis Lab, engineers took the TV set completely apart... at the manufacturer's request. They noted every spot where Tinnerman SPEED NUT® Brand Fasteners could replace ordinary fasteners, to the manufacturer's advantage... in cost, assembly time and improved product.

Their "psychoanalysis" of his product went to the manufacturer as a book of sketches, cost data, and production recommendations that helped him fasten his set together better, faster, at lower cost. This book will serve as a design manual for future models, too.

Whether you make television sets or hand-powered juice squeezers, some of the 8000 different Tinnerman SPEED NUT Brand Fasteners belong on your product, to your advantage.

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couch-session for your product with our analysts. Contact him for complete information. Meanwhile, write for a copy of Bulletin 336, to learn more about this *FREE* engineering service.

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FASTEST THING IN FASTENINGS®

Engineers Are Easier to Come By

● Most companies are reluctant to say the shortage is over, but they report less trouble in recruiting new help.

● Good men are still hard to find, but personnel people generally can afford to be more choosy than before.

● Meanwhile, some sources indicate that the severity of the shortage may have been overrated.

As the dust settles after the scramble for the 1957 crop of graduate engineers and the college campus recruiting squads take a summer breather, there are some signs that the worst of the shortage of engineers may be abating.

Many companies with well-organized recruiting campaigns managed to fill or even exceed their quota this spring. It is still a rare personnel executive who will say for the record that the shortage has ended; and all agree that good men are, and will remain, hard to find. But they speak in more relaxed tones nonetheless.

I. A General Easing

A swing around the country reveals this definite trend: Where a year ago nearly everyone insisted that the shortage of engineers was practically a national emergency, today you'll find plenty of hedging and "don't quote me, but" talk that shows there has been a distinct change in the situation.

In Akron, Ohio, most companies report that their recruiters did better than last year. After talking to the same number of graduates, acceptances were significantly higher, say recruiters. Most of them insist there is still a shortage, but explain their greater success is due to "less over-all demand" and a reduction in their own quotas. An exception, a big aircraft company says it could still use 80 to 100 engineers "experienced in radio and electronics."

• **Surplus of Applicants**—Officials at Royal Typewriter Co.'s Hartford (Conn.) plant report the situation "considerably brighter." The company added 60 to its research and development staff this year, expects to add another 150 without difficulty next year. Royal was one of the few companies that reported receiving applications from more electrical engineers than it needs. On the other hand, Royal reports some difficulty in getting senior project engineers "with 15 years experience who can command salaries over \$10,000."

Spokesmen for Pratt & Whitney Air-

craft Div. of United Aircraft agreed that the shortage is easing. The company hired 185 new graduates. To get them, recruiters visited 112 college campuses, found competition for prime men tough, but managed to fill the quota.

The research department of United Aircraft reports it got all the men it wanted this June for the first time in two or three years. The company picked up 50 aeronautical and mechanical engineers and physicists this month at minimum starting pay ranging from \$400 to \$500 per month.

• **Greater Selectivity**—The Georgia division of Lockheed Aircraft says its recruiters are still at work but are more selective than a year ago. Lockheed has a small backlog of applications, which it credits to continuous college recruiting.

In Los Angeles, there is widespread gossip (which has spread to other parts of the country as well) that defense budget changes have put a lot of engineers out of work. But companies that are heavily involved in research and development work report no trouble, no layoffs, and no cancellations. Some companies report that engineers are drifting into the area from the East "because work is easing off in some Eastern and Midwestern companies."

• **Fewer Ads**—One indisputable fact is that recruiting advertising linage in newspapers is down all over town. And most companies say that a bumper crop of 1957 engineers, plus the lure of California living has put new college graduates in plentiful supply.

The over-all impression from Los Angeles is, as one source put it: "A general softening up all across the board in the engineer market." One small company, Electronics Engineering Co., Santa Ana, reports that engineers are walking in the door this month looking for work—"something that never happened to us before."

• **Changing Atmosphere**—California opinion to the contrary, there is little evidence of any actual surplus engineers in the Eastern or Midwestern areas.

A couple of companies in Pittsburgh confirm that there is a less frantic atmosphere than last year. And in Philadelphia, personnel agencies report an easing in demand for engineers required for new plant construction, say metallurgists are harder to place.

In nearby Baltimore, Bendix Aviation hired 80 new graduates from 50 colleges, paid a top salary of \$475 per month, reports that this year was easier than last. But Bendix has had a little difficulty in locating field engineers with experience whom it can send out on 18-month to two-year tours.

The Martin Co., also in Baltimore, had no trouble getting engineers this year in contrast to last. Martin recruiters say they were able to be more selective. A smaller Baltimore company, also says recruiting was easier this year.

In the Southwest, the engineering shortage still exists but the same qualification of "gradual easing" or "softening" is cited. A spokesman for the Texas Employment Commission says that "We are still getting orders for all kinds of engineers, but it seems they are a little easier to fill." Some rumblings are reported from engineers that large companies are grabbing them up and using them as draftsmen.

• **Exception**—Humble Oil reported, "Just as much or more difficulty this year as last in getting engineers. We didn't get all we wanted this year, so next year we are going to carry on more extensive recruiting." Humble believes a real shortage still exists.

On the other hand, Shell Oil said it got all the mechanical, electrical, and chemical engineers it needed and could have hired more if it had wanted to.

In Dallas, two aircraft companies and a large electronics outfit reported an easing in the demand for new graduates. The electronics company said: "It wasn't too difficult to get the men we really wanted. We found this June that we had a wider selection than six months ago. In fact, our engineering recruiting teams have hired a few more than we had planned because we found more topnotch candidates available than we had expected."

• **Salaries**—While the general shortage may have eased somewhat, the starting salaries paid engineers have continued to rise. The consensus puts the rise at about \$50 over last year. Bell Telephone Laboratories, for example, increased its minimum starting salary from \$400 to \$450 per month. Frank D. Leamer, personnel director for Bell Labs, says that good engineers are scarce.



IDEAS . . . into springs

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CLEVELAND SALES OFFICE
22700 Shore Center Ave., Cleveland, Ohio

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15001 So. Broadway, Gardena, Cal.

DUNBAR BROTHERS CO.
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Bristol, Connecticut

THE WALLACE BARNES CO., LTD.
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WALLACE BARNES STEEL DIVISION—Producer of High-Carbon Strip Steel

"But we aren't going in for any of that ridiculous bidding against other firms," he says.

Throughout industry, you hear constant complaints that large companies bidding for contracts are "stockpiling" engineering talent. But there is little proof that such a practice is widespread. Rather, the trend seems to be toward better utilization of talent by hiring and training technicians to work with qualified engineers and ease their bottle washing and clerical tasks.

II. Illusory Shortage?

You can find plenty of engineers who will agree with a couple of non-job hunting mechanical engineers in Toledo who say there's no great shortage. "It's just a shortage of men companies can hire at salaries they want to pay. The companies still aren't prepared to pay what engineers think they are worth, and as long as that is true there can't be any great shortage. We feel the whole thing is partially an effort by companies to create the illusion of a shortage so they can romance more young engineers into changing jobs."

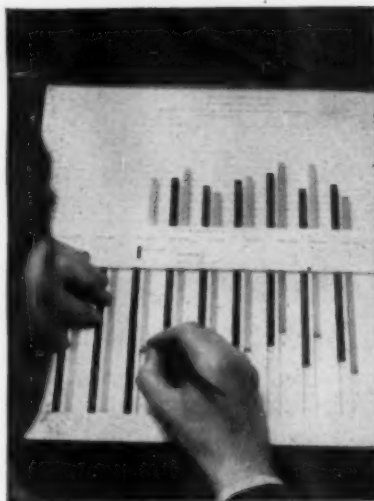
There is a great deal of truth in that. Many companies admit that they can shift men back into engineering jobs from administrative or sales posts if necessary.

• **Special Study**—A study published in book form this month by the National Bureau of Economic Research, *The Demand and Supply of Scientific Personnel* by David M. Blank and George J. Stigler, also questions whether a truly severe shortage has ever existed. A severe shortage, they say, should be reflected in a faster increase in salary level for engineers than for other occupations. Yet, engineers' salaries have not risen any more than others in the labor force. In fact, until the last two years, according to the study, engineering salaries showed less gain over the 1939 level than other salaries. The increase in engineering pay in the last few years should increase the supply. According to projections in the Blank and Stigler study, we can look forward to perhaps 35,000 to 40,000 engineering graduates per year by 1960 and possibly as many as 80,000 to 90,000 in 1970, providing engineers' pay remains high.

• **Immediate Outlook**—For the immediate future at least, it looks as if the panic has gone out of the quest for engineers. But companies must continue to pay engineers well, and put them to work at engineering jobs if another shortage is to be avoided. Many companies are still reluctant to admit that the shortage could even be easing.

They remember how drastically engineering school registrations dropped off after widely published reports of an engineer surplus in 1949.

NEW PRODUCTS



Adjustable Frames . . .



. . . Update Graphs

Graphs—be they bar, line, or pie—can be made or revised in a matter of minutes by using the frames pictured above. Planoscope Corp., of New York City, developed the frames to avoid the present long delays in graph-making, which frequently cause swift changing data to be obsolete before the graphs are ready for use.

With the Planoscope frames, a clerk can post new data in graphic form with no delay; then the frames can be photographed and transparencies prepared at once.

The frame for bar charts contains a row of sliding bars, which are moved to the correct position for each adjustment. In line charts, colored cords are stretched at the desired angles to tiny hooks. The pie chart frame has a series of interlocking-disks that are turned to the desired positions.

In each type chart the graduations can be changed to match the data being recorded by changing the numbers on the sensitized paper.

The frames are likely to be used chiefly for producing up to the minute art work for sales presentations and periodicals.

Master boards for bar or line graphs cost \$325, or can be bought on a rent-purchase plan. Pie charts range from \$7.50 to \$125.

The French Are Putting Plastics Inside Pianos

Plastics are invading the piano industry, long a stronghold of traditional materials and designs. Pleyel of Paris, the 150-year-old maker of pianos for such masters as Chopin, Grieg, Saint-Saens, and Debussy, is putting plastic actions in its new pianos. The action is the most delicate part of the piano because it links the keyboard to the hammers and controls the striking of the strings.

In the past, the action was always made of wood. By replacing the wood with plastic, Pleyel has reduced from 75 to 62 the number of pieces used to control each key. And the plastic doesn't warp or shrink like wood, so the piano can be kept in good playing condition in extreme climates such as the tropics.

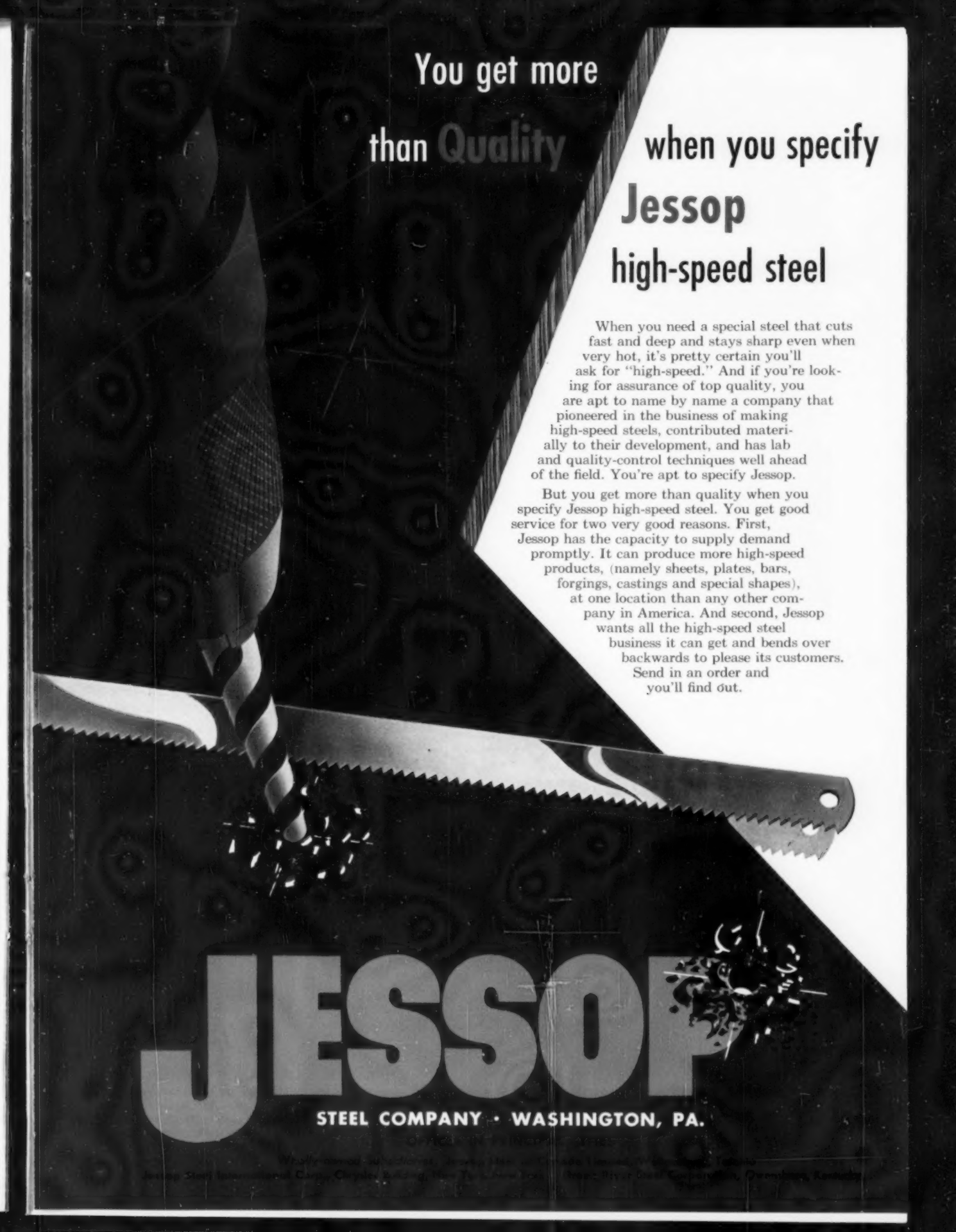
It took Pleyel six years to develop the new action. The company started by making small plastic boxes to get experience in handling plastics. The boxes are now a profitable sideline, being used as plastic containers for the cosmetic industry.

Two years ago, while toying with the boxes, the company hit on the formula it was looking for. It has a polyester base, but the exact ingredients are top secret.

NEW PRODUCTS BRIEFS

An automatic volume control for regulating radio and TV sets when a telephone is in use is being manufactured by Carloma Corp., St. Louis. Lifting the phone receiver automatically lowers volume to a whisper and putting it back on the hook returns sound to normal. The device called a Sound Husher, costs \$2.25.

A filter for oil pumping equipment that allows fluid to pass through its pores but rejects sand has been developed by Clayton Mark & Co., Evanston, Ill. The synthetic foam rubber filter element reportedly increases an oil pump's efficiency 500%. The filter, called Sand-Free, is made to fit tubing with an outside diameter of 2½ in. Cost: \$200.



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when you specify
Jessop
high-speed steel

When you need a special steel that cuts fast and deep and stays sharp even when very hot, it's pretty certain you'll ask for "high-speed." And if you're looking for assurance of top quality, you are apt to name by name a company that pioneered in the business of making high-speed steels, contributed materially to their development, and has lab and quality-control techniques well ahead of the field. You're apt to specify Jessop.

But you get more than quality when you specify Jessop high-speed steel. You get good service for two very good reasons. First, Jessop has the capacity to supply demand promptly. It can produce more high-speed products, (namely sheets, plates, bars, forgings, castings and special shapes), at one location than any other company in America. And second, Jessop wants all the high-speed steel business it can get and bends over backwards to please its customers. Send in an order and you'll find out.

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Only the beginning is the estimated \$20,000 a year savings in maintenance made possible by Goodyear fenders on the huge, new dock at the Public Port of Baton Rouge.

What can you learn from this

If you've ever watched a big ship being berthed, you have some idea of the tremendous forces involved. Just a slight miscalculation, a sudden gust of wind or a quirk of the tide could result in costly damage to both hull and pier, plus a prohibitive delay in turn-around time.

That's why, some years ago, the G.T.M. — Goodyear Technical Man — stepped into the picture and pioneered the development of rubber dock fenders. These specially compounded, tough, resilient rubber fenders readily absorbed the crushing, grinding impacts and have

saved many splintered timbers or buckled plates on docks and ships, the world over.

What's more, the G.T.M.'s fenders have been known to serve 20 years or more without repair or loss of their shock absorbing qualities. And they have enabled many pier builders to make surprisingly substantial savings, permitting the use of lighter, basic construction.

Beyond their original use, Goodyear dock fenders have successfully weathered many a hard knock in many other fields. To what new use can you put their effective absorp-



A savings of \$15,000 per year is being made at a big oil refinery dock, where rubber dock fenders permitted the replacement of frequently repaired, wooden "dolphins" with a sturdier, concrete-steel construction.



A new kind of insurance against personal injury or property damage is being offered, on a long-term basis, by dock fenders used as protective posts in parking lots and safety islands.



No fish story is the fact that the noise of the metal pursuit boats banging against the pursers was driving away the catches of a certain fishing fleet. Rubber dock fenders eliminated the noise and provided a bigger "net profit."

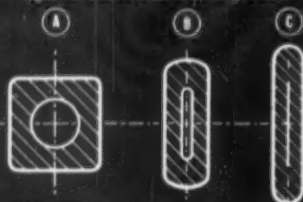


GOODYEAR INDUSTRIAL PRODUCTS



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Rectangular Dock Fenders for protection against shock and crushing action



A Uncompressed 12" x 12" x 5" bore

B Bore closes with 5" deflection. Fender will absorb 7,000 foot-pounds of kinetic energy

C At maximum deflection of 7.2", the fender will absorb 22,500 foot-pounds of kinetic energy

Louisiana. Some 450 short-sectioned fenders protect both pier and ships against docking made hazardous by a tricky river current and they'll do so for many years to come.

school of hard knocks?

tion of smashing impacts? You can find out by consulting the G.T.M. through your Goodyear Distributor or Goodyear, Industrial Products Division, Akron 16, Ohio.

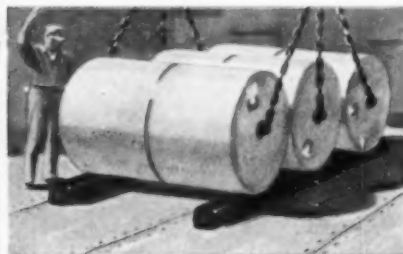
IT'S SMART TO DO BUSINESS with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

See "THE GOODYEAR PLAYHOUSE"—TV—Sunday 9-10 E. D. T.

DOCK FENDERS by

GOOD YEAR

THE GREATEST NAME IN RUBBER



Many a roll has been saved, since a big newsprint manufacturer replaced the wooden floor runners on his barges with rubber dock fenders. The fenders ended the breaking of paper rolls to the core and last for years rather than weeks.



Smart trick for truckers is to replace wooden dock bumpers with rubber fenders. Results: Much less maintenance and replacement, much less damage to trucks at many terminals across the country.



Taking it on the nose is easier and less expensive for tugboats with rubber dock fenders. Compared to costly, handmade rope mats, they take constant abrasion and impacts in stride, last much longer, reduce down time and don't ice up.



Window box by Warner Brothers, Bridgeport, Conn., for Seaforth, Inc.

For Men Only!

Sure, it's as masculine as a briar pipe. But it's ladies, bless 'em, who sell Seaforth (much of it) and ladies who buy much of it!

Double reason for Seaforth's new high-style combination lotion and deodorant package. Tough, clear as crystal, Kodapak Sheet serves as a window . . . displays the product—protects it from dust, dirt, finger-ing . . . keeps it looking like a million—clean, fresh, salable! Stores like to handle it because it shows itself.

Have you a package that needs more point-of-purchase "oomph"? "Kodapak Sheet makes good merchandise sell better." Call our representative or write.

Kodapak Sheet

Kodapak is a trademark for Eastman's plastic sheet

**MAKES GOOD MERCHANDISE
SELL BETTER**

Cellulose Products Division, EASTMAN KODAK COMPANY, Rochester 4, N. Y.

Sales Offices: New York, Chicago, Atlanta. Sales Representatives: Cleveland, Philadelphia, Providence. Distributors: San Francisco, Los Angeles, Portland, Seattle (Wilson & Geo. Meyer & Co.); Toronto, Montreal (Paper Sales Ltd.).

In Marketing

. . .

Celler Seeks Law to Ban

Quantity Discounts to Advertisers

Congressional critics of the television industry fired two new rounds in their rapid-fire attack on alleged monopolistic practices:

Rep. Emanuel Celler (D-N.Y.) introduced a bill that could affect the entire advertising field by making illegal the quantity discounts that media have traditionally granted advertisers.

In a speech before the Federal Communications Bar Assn., which included a sharp blast at FCC, Celler said his proposal would extend the provisions of the Robinson-Patman and Clayton Acts that outlaw discriminatory price discounts to include services as well as commodities.

The new Celler bill follows up a report issued by the anti-trust committee, which Celler heads (BW—Jun. 15 '56, p. 76).

That report raised the question whether the network discount structure violates Robinson-Patman, "one of whose principal purposes was to prohibit quantity discounts to mass buyers based merely on the volume of the purchases and unrelated to cost savings by the seller, where injurious effect upon competition might result." The report pointed out that the Robinson-Patman and Clayton Acts in the past have applied to "tangible commodities and not services." The present bill is designed to plug that loophole.

Aimed specifically at TV broadcasting, the bill would also affect other media, such as newspapers and magazines, that grant quantity discounts. Some opponents say it would kill advertising quantity discounts because of the near-impossibility of cost-justifying them.

Meanwhile, the Senate Commerce Committee this week issued a staff report on its continuing TV industry probe. The report suggests more study by Justice Dept. antitrusters and FCC, a number of changes in network option time and must-buy contract clauses, and continuation of the present limit on station ownership.

The report, softened at the insistence of Sen. Charles Potter (R-Mich.), is less harsh than a report Sen. John Bricker (R-Ohio) put out last year, charging the nets with a strangling monopoly on the industry.

. . .

Shopper Can Have His Gas Tank Filled While He's Parked in Store Lot

A Southwestern oil company has come up with what it thinks is a way to make gasoline service stations an integral part of shopping centers and large supermarkets. The Deep Rock Div. of Kerr-McGee Oil Industries, Oklahoma City, has its new "supermarket" service station in operation at the Oklahoma Semi-Centennial Exposition now going on in Oklahoma City.

The system allows a shopping center or supermarket customer to have his car gassed and get a routine oil-

MORE NEWS ABOUT MARKETING ON:

• P. 64. Warehousing Takes on New Role in Merchandising Picture.

fill and windshield wiping while he shops. It consists essentially of a central storage tank and an underground system of pipelines laid in a spider web design throughout a shopping center or grocery store parking lot. Taps on the pipeline, located every three parking spaces, permit an attendant to reach every car in the lot with a gas hose.

The methods can vary a bit, but one works like this: After a customer parks his car, if he wants service he goes to a booth inside the supermarket and places an order. He is then free to do his shopping. An attendant mounted on a motor scooter, equipped with hose connections, a sales meter, oil cans, and other supplies, goes to the stall and services the car. When the customer passes through the check-out counter, a metered bill is waiting, which he pays along with his grocery bill. Deep Rock officials say two people can operate a 100-car lot.

William Fuchis, Deep Rock merchandising manager, conceived of the station. The company tested it at several locations before installing it at Oklahoma City. It is currently negotiating other installations, including plans to install stations in markets of a large supermarket chain. According to Deep Rock, the system can be installed in a 100-car lot in three days or so at a cost of under \$10,000.

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Marketing Briefs

A three-in-one "shopping center," occupied by three plush New York retailers, is scheduled to open up in early 1958 in well-heeled Westchester County in the New York metropolitan area. De Pinna (apparel), Georg Jensen (jewelry, china), and F. A. O. Schwarz (toys) will all occupy space in one building, on a site adjacent to a Lord & Taylor branch.

The GESCO distributor in Louisville has a new way of promoting General Electric major appliances at reasonable prices. Since GE quit suggesting retail prices on its major appliances, distributors in some markets took over. The Louisville GESCO is ticketing the products with a "fair value" figure—retailer's cost plus a normal profit. By advertising these prices, GESCO hopes to discourage dealers who might inflate prices, then offer "bargain discounts" or big trade-ins. GESCO branches in Seattle and Dallas have tried similar deals.

Iron curtain countries will get their first look at a full-fledged U.S. supermarket at the Grand Fair in Zagreb, Yugoslavia, next fall. The Commerce Dept., National Assn. of Food chains, and U. S. manufacturers are cooperating, as they did at the exhibit in Rome last summer (BW—Jul. 7 '56, p. 86).

The new Sears, Roebuck catalog, just going to the mail, shows prices for fall and winter 1% below the spring-summer catalog. Lines where price cuts appear include apparel, home furnishings, housewares, and modernization and home repair items. Appliances are mostly unchanged. Women's fashions, prepared by the new Sears Fashion Board, get a big play.

In and Out

That's all the time that's needed at Mangel's new warehouse to receive merchandise from suppliers, sort and pack it, and load it onto trucks for shipments to 124 chain stores.

THESE PICTURES illustrate a kind of goods handling system that its designers believe may eventually transform warehouses into something resembling continuous-flow distribution centers.

Using hardly any really novel mechanical equipment, the new system involves a concept with applications that foreshadow a revolution in the materials handling business.

• **Distribution Job**—Located in the heart of New York's crowded garment district, this particular operation handles the receipt and shipment of women's and children's clothing for Mangel Stores Corp.'s chain of 124 stores scattered through 27 states from Connecticut to Texas.

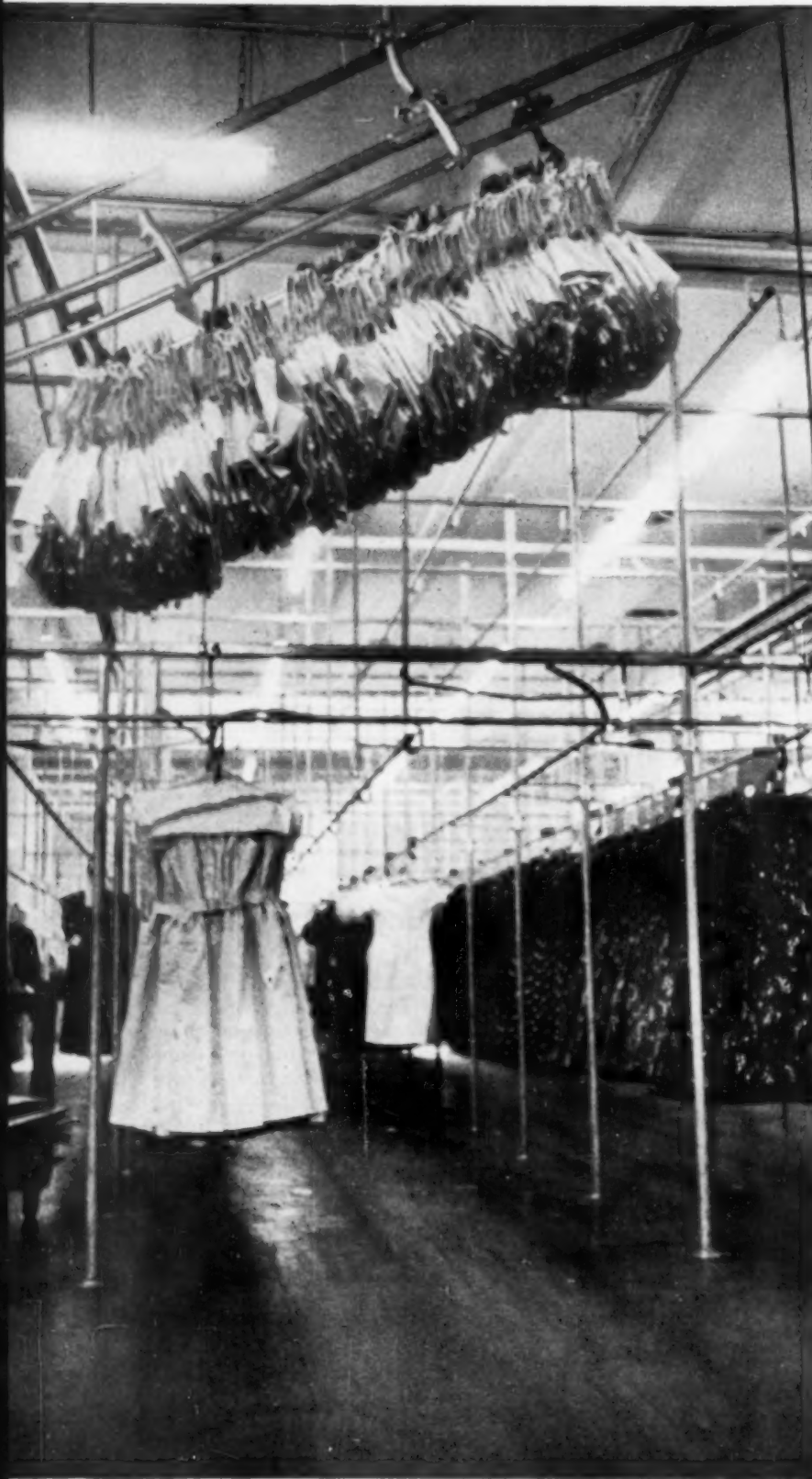
Mangel's, a \$37-million-a-year retail operation, buys from some 5,000 suppliers who ship their merchandise by truck in packed boxes or on hangers (for dresses and coats) to the company's central headquarters. The merchandise is sorted into styles, color, and sizes, reassembled into order lots for each store, and delivered by 12 truckers.

• **The Difficulty**—Mangel's—a medium-to-low-priced apparel chain like Lerner's and Diana stores—is growing fast. It knew it would require a much bigger central warehouse system if its plan for doubling its business in the next few years was to work out. Operating on a highly centralized merchandising system, it also required a much faster way of getting goods to an increasing number of store locations.

Since management was determined to keep buyers and merchandisers as close to their sources and stocks of merchandise as possible, the possibility of moving to larger quarters outside of New York was ruled out.

• **Solution**—Mangel consulted architect Lewis Davis, of Davis Brody & Wisniewski, who recommended a multiple-story building in the garment area. He hired Dasol Corp., a materials handling engineering firm, to design the layout. This firm had won recognition in the trade for engineering a warehouse system for Judy Bond, New York blouse manufacturer, and an automatic conveyor system for Alexander's, White Plains, N. Y., a low-price clothing store (BW—Dec. 8 '56, p. 72).

Says Allan Harvey, Dasol partner: "Our approach was to devise for Man-



5,000 APPAREL MAKERS deliver women's and children's wear to Mangel's New York warehouse, where merchandise is sorted for shipment to clothing chain's 124 stores.

of a Warehouse in 45 Minutes



ORDER PICKERS, each stationed in a particular spot, put specific type of merchandise into separate boxes for each store. Goods come and go on a web of conveyor belts.

DISTRIBUTION RACKS, one for each store, hold back order boxes until the seven needed to fill a shipping carton have accumulated. Then boxes are released.



SHIPPING DEPARTMENT receives goods on continuous conveyor, packs contents of seven order boxes into a shipping carton.

END OF LINE is reached when sealed cartons arrive at truck loading docks. They are directed to proper dock electronically.





How Clipper Cargo helps set the style in fashions

In seasonal fashion items, speed is one of the most important merchandising concepts. A fast delivery at the style-selling peak makes all the difference between profit and loss.

One well-known retailer has found that reduced inventories released funds that were normally tied up, to the extent he was able to increase his advertising and promotion and so increase his sales proportionately. His net profit was $2\frac{1}{2}$ times greater than when he used surface transportation.

With Clipper® Cargo, suppliers can

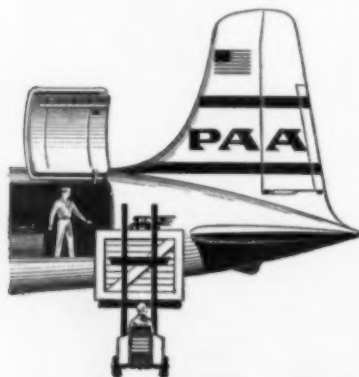
chart their deliveries to the hour instead of by week. Regularly scheduled flights on a broad schedule offer a reliability that pays off for any business. Fixed costs are lower too by Clipper Cargo. Costly warehousing is eliminated, damage and pilferage practically disappear and all red tape is minimized. Insurance rates are cut by swifter transit times. Little or no packing is necessary—in fact, you can even take advantage of special Clipper Cargo flying dress racks designed to deliver your goods in perfect selling condition.

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Send for FREE booklet, "There's Profit in the Air . . . with Clipper Cargo." Call your PAA District Sales Manager or write to Pan American World Airways, P. O. Box 1790, New York 17, N. Y. *Trade-Mark, Reg. U.S. Pat. Off.

**PAN
AMERICAN**

flies more cargo overseas than any other airline



gel's a distribution center—not a warehouse. We wanted to eliminate as much as possible any need for storing goods."

• **Basic Idea**—According to Harvey, the whole idea of warehousing stems from industry's "inability to balance production with sales." In any operation where seasonality, spoilage, or style is involved, this becomes a major problem. In the case of clothing, style creates perishability almost as great as if the merchandise were fresh food. For a company like Mangel, it means shipments from suppliers often do not arrive in an even flow but in varying volumes. If the incoming merchandise cannot be processed and shipped out fast, then storage space must be provided.

Bearing this in mind, Dasol designed an interconnected web of in-the-back and out-the-front conveyor belts that can move a shipment of goods from the supplier into trucks bound for Mangel stores in 45 minutes.

• **How It Works**—The conveyor belts bring certain types of merchandise, either in boxes or on hangers, to each order picker. Containers are routed past the order pickers, who deposit in the box the precise merchandise called for on the order slip attached. This conveyor belt leads to automatic distribution racks. There is one for each store.

It takes seven of these containers to make up a single shipment for a store. When seven containers for one store are filled, the distribution rack automatically shunts them onto a conveyor leading to the shipping department. Here the contents of the seven containers are packed into one carton. The carton then moves through an automatic sealer. After that, it is directed by a simple memory control panel to the conveyor belt leading to the proper loading dock for shipment over the road.

Accounting work, meantime, is being performed in a tabulation center geared to have a shipping order at the loading dock by the time the goods are received there.

• **Integration**—Harvey and his partner, Sol Tanne, view Mangel's installation as one more step in the process of making warehouses a more integral part of the whole merchandising operation. Their approach is to work back to production (or purchasing) through sales and shipping.

They believe that too many companies tie their sales planning to "rigid requirements of warehousing operations."

Harvey cites the case of a big soap manufacturer that built a new warehouse designed to handle pallet-size lots rapidly.

"The only trouble," says Harvey, "is



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**...as well as your
"specs" fit you**

Needs of Brass fabricators vary as widely . . . and as individually . . . as their own prescription eyeglasses. And Bristol is notably successful in fitting Brass to each customer's own peculiar needs with this same prescription exactness.

This could only be true of a compactly organized mill in which all customer-contact men have *both* mill and sales experience. It's not often that you find this situation. And it's not often that

you find Brass made by the most modern methods to toughest old-fashioned standards of quality.

Next time you need strip, rod or wire . . . try Bristol Brass. You'll get the clearest picture yet, of what Brass can do for your product.

and for BRASS FORGINGS, too . . . get them from . . . ACCURATE BRASS CORP. (Subsidiary of The Bristol Brass Corp.) now in a new and modern plant at Bristol, Conn.

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Bristol Brass has offices and warehouses in Boston, Buffalo, Chicago, Cleveland, Dayton, Detroit, Milwaukee, New York, Philadelphia, Pittsburgh, Rochester, Syracuse.

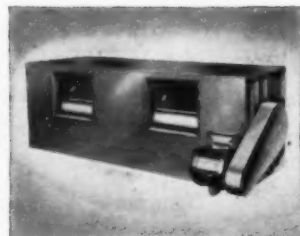
This shopping center conditioning systems...



TRANE...SKILLED IN
ALL 4 RELATED

FIELDS OF.... AIR CONDITIONING

Cooling comfort on a budget! TRANE Self-Contained Air Conditioners cool many of the shops, stores and offices in Valley Fair Shopping Center—and do it economically.




HEATING

TRANE Climate Changers provide both heating and cooling for Valley Fair. A few stores now use climate changers for heating only, can easily convert to cooling, too.

wanted 35 different air Trane supplied them!

*For shops or ships, schools or skyscrapers,
Trane changes climates to order!*



Here's a buyers' climate for a 5-acre shopping center—35 stores where even the window shoppers enjoy ideal climate the year around! It's the Valley Fair Shopping Center near Appleton, Wisconsin, where TRANE equipment supplies an air conditioned atmosphere that keeps customers—and employees—comfortable in every season.

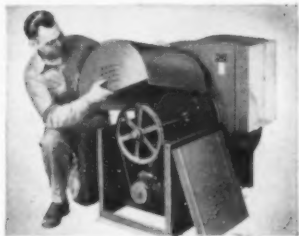
In planning the air conditioning for Valley Fair, engineers chose individual store systems to meet special requirements—instead of a central system. Versatile TRANE equipment—from large year around systems to smaller self-contained air conditioners—met the varied needs of every tenant—making it possible to concentrate responsibility for all equipment in one reliable source!

Most of the stores have TRANE equipment that cools in summer . . . heats in winter. In others, TRANE winter heating equipment has been designed for fast, easy conversion to complete air conditioning when tenants desire it.

Every day, in varied fields, TRANE equipment is changing climates to order—air conditioning buses and trains, ships and planes, giant office buildings and modest corner stores. TRANE equipment heats and cools factories and schools, hotels and homes—serves everywhere that you find air.

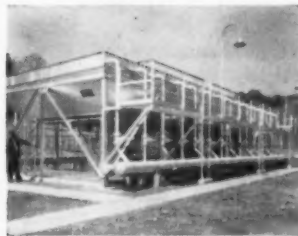
For human comfort or industrial processing—for any air condition—turn to TRANE. For more information, see your nearest TRANE Sales Office or write TRANE, La Crosse, Wis.

◀ **WINDOW SHOPPING IN COMFORT!** In summer, stores leave their doors open to provide cool comfort along the enclosed court. Customers relax . . . take time to look at merchandise on display. Air conditioning is *profit-conditioning*.



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TRANE Utility Fans move conditioned air for Valley Fair. Used for hundreds of ventilating jobs, these fans are extremely quiet and efficient in operation.



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*only time proves
the product...and
its components*



The old steam shovel shown in the inset was built many years ago by The Thew Shovel Co., one of today's leading manufacturers of powered excavators and cranes. This model was a common sight on early construction projects and was in common use during the period of transition from steam power to internal combustion engines . . . when Thew Shovel began using Twin Disc products.

Today, Thew continues with Twin Disc products . . . and uses Twin Disc Model CL Clutches, Fluid Power Take-offs and both Three-Stage and Single-Stage Torque Converters in various Thew machines.

Since its founding, Twin Disc has specialized *solely* in building indus-

trial friction and fluid drives for heavy-duty machinery. Twin Disc Friction Clutches are currently available to 1050 hp . . . Fluid Couplings to 850 hp . . . Three-Stage Torque Converters to 1000 hp . . . and Single-Stage Torque Converters to 212 hp. Write Twin Disc Clutch Company, Racine, Wisconsin; Hydraulic Division, Rockford, Illinois.



that more and more orders call for less-than-pallet lots. So now the company has a special selling campaign to push pallet-level orders—and still their less-than-pallet size orders are going up."

• **New Job**—Dasol Corp. right now is negotiating with Bobbie Brooks, Inc., Cleveland manufacturer of blouses, dresses, and skirts, to design what Harvey and Tanne think may be an even better example of how continuous-flow warehousing can improve the whole production-to-sales operation.

Bobbie Brooks makes some 300 styles in six sizes and six colors—for each of five 10-week seasons a year. It distributes to some 1,400 stores. Time, obviously, is an important factor in the whole sales picture.

• **Problem**—At the beginning of each season, under the present mode of operation, estimates of sales are made on each item before a single order is received. As individual styles start coming into the warehouse, an order picker fills the orders on hand. These have to be set aside until the other styles specified in the order arrive at the warehouse. As a result (1) goods are tied up waiting for release of the full order; (2) the warehouse isn't sure exactly what goods are on hand; and (3) a season ends with an unbalanced inventory.

Dasol's examination of the operation showed that 20% of the styles and sizes were shipped in the first third of a 10-week season, 30% in the second, and 50% in the third. This means a crush of shipping at the tailend of the season. And Bobbie Brooks' sales force has to stop selling long before the season ends because orders can't be filled in time.

• **Ramac to the Rescue**—Dasol plans to install an IBM 650 Ramac—a random access memory and computing unit—to help solve this problem. This system—tied in with Bobbie Brooks' already modern materials handling equipment—will enable the warehouse to determine at any time the maximum number of orders than can be shipped from the goods on hand, taking into account all the requirements (color, size, style, quantity) needed to meet a release for each order. Goods that are received, except those that fill an order for immediate shipment, are not allocated to specific orders and thus are immediately available when new orders arrive. In addition, the warehouse instantly can get inventory figures, information that can be used by the production department to adjust to current sales.

If this plan works out, Dasol estimates that it can almost reverse the shipping schedule during a season for Bobbie Brooks. In other words, 40% of the orders will be filled in the first third of the period, 40% in the second, and 20% in the last. **END**



Focus:

Photographed at General Dynamics Corporation, Electric Boat Division, one of the 3,924,497 people covered by Connecticut General Group Insurance.

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2-SPEED MOTOR... exclusive feature! Super-power for the toughest jobs... reduced speed for cleaning electronic equipment, delicate wiring, etc.

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Cadillac needs only one coupler to connect hose to air outlet and both air intakes.

*Pat. applied for



Power unit can be demounted in just seconds for use as a hand-type blower-suction cleaner.

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...has a powerful teammate, the versatile MODEL 21. Its extra wide floor nozzle has a "floating brush" that adjusts itself to bare and carpeted floors. So sturdy, so efficient, so fast and easy to use, it's a pet with both maintenance men and women.

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- Hot-and-Cold-Air Blower
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WRITE US FOR COMPLETE INFORMATION and name of our nearest supply dealer

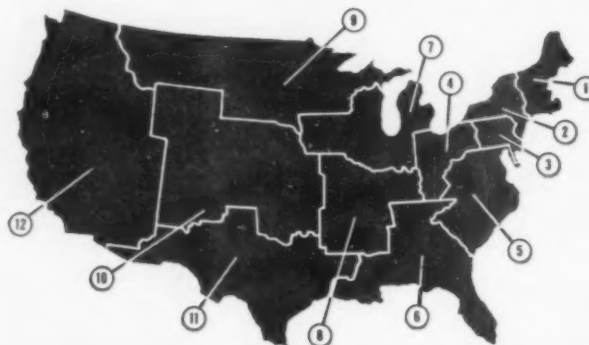
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Specialists in the manufacture of vacuum cleaning equipment for home, business and industry

Several territories are available to verified factory representatives.

The Income Pattern:
Business Week's Regional Income Indexes

U. S. Incomes: Up 5.4% From Last Year



©BUSINESS WEEK

Federal Reserve District	% Change vs. year ago	April 1957	March 1957	April 1956
1. Boston	+7.3%	287.6	284.8	268.1
2. New York	+6.9%	301.4	307.5	281.9
3. Philadelphia	+4.3%	298.7	293.9	286.3
4. Cleveland	+3.0%	350.0	349.2	339.8
5. Richmond	+6.7%	379.0	375.6	355.3
6. Atlanta	+5.5%	453.4	452.8	429.9
7. Chicago	+5.5%	361.1	358.8	342.3
8. St. Louis	+3.8%	334.5	327.9	322.2
9. Minneapolis	+6.9%	369.2	362.2	345.4
10. Kansas City	+4.5%	412.2	409.2	394.4
11. Dallas	+4.6%	501.1	500.2	479.2
12. San Francisco	+5.5%	404.6	401.5	383.6
Nation	+5.4%	358.0	356.8	339.5

1941=100; adjusted for seasonal. April figures preliminary; March revised.

Still Climbing Higher

Regional incomes for April are up for ninth consecutive month. But year-to-year gain is off slightly.

U. S. incomes in April, 1957, were 5.4% above April, 1956, according to BUSINESS WEEK'S Composite of Regional Income Indexes. This was slightly smaller than the year-to-year gain during the first quarter, which averaged 6.1%. However, the April index was the ninth in a string of monthly consecutive highs.

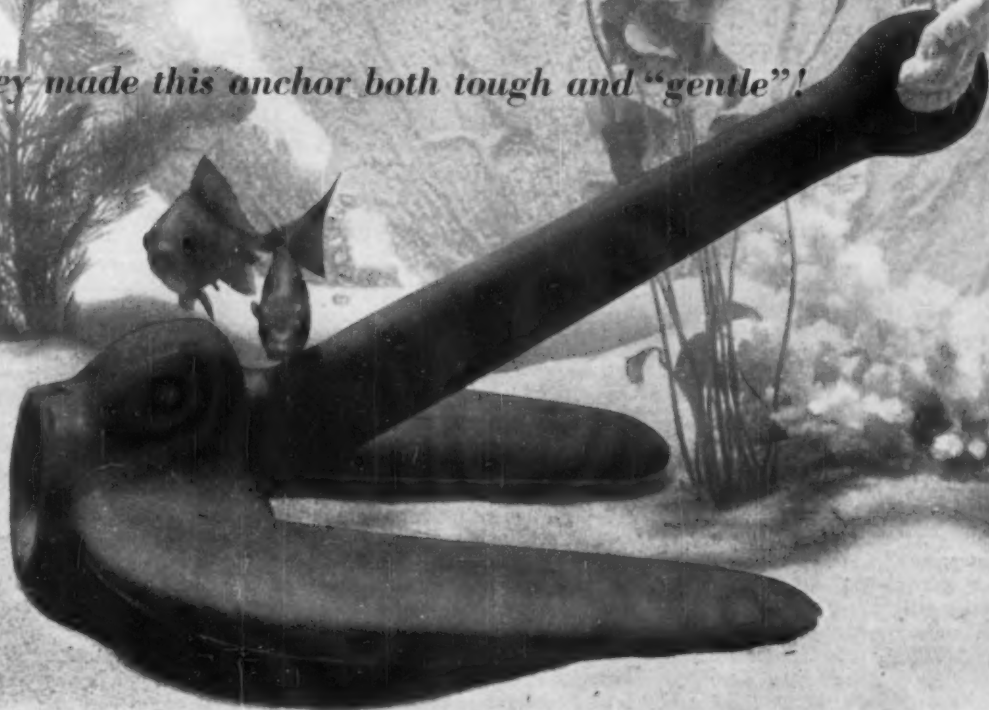
Incomes in nine of the 12 regions also reached new highs in April. Only the New York, Philadelphia, and Cleveland regions were down from their peaks. The largest gain for any region

in the year-to-year comparison was 7.3% in Boston; smallest was 3% in Cleveland. In Ohio, the largest part of the Cleveland Federal Reserve District, nonagricultural employment was down slightly in April from one year ago. The drop was concentrated in manufacturing where all major industry groups, except transportation equipment and leather products, were lower than in April, 1956.

From March to April, the nation's income rose 0.3%. Month-to-month changes in April ranged from plus 2% in the St. Louis district to minus 2% in the New York region. New York was also the only region to show a decline in this comparison. New York State manufacturing employment dropped largely because of the usual layoffs by apparel firms after Easter.

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New vinyl dispersions are fused on METALS, FABRICS, PAPER, to produce tough, permanent finishes . . . or molded, without pressure, into high-grade low-cost products.

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1



2



3

Crackdown on In-Plant Pilfering

Light-fingered workers and front office embezzlers are dipping deeper and deeper into the bosses' profits. Industry, which once regarded such theft as part of the game, is using tougher tactics to curb these losses.

THE CARTOON PANEL above shows one manufacturer's method of combating industrial theft—in this case, pilferage. A well pitched stage whisper by the boss threatening to call in the FBI starts off a chain reaction that leads to the discovery of 27 "lost" motors in the company parking lot.

Such cloak-and-dagger tactics are symptomatic of industry's toughening attitude to in-plant theft. While many companies still regard theft from their plants almost as a way of life and resist it only passively, an increasing number are using shock tactics—such as phony FBI scares, periodic searching of employees, and closed-circuit TV cameras—to fight pilferage and the greater problem of embezzlement.

So far, these methods are cutting down theft, particularly pilferage. But they could pose some real management problems, especially if they were extended to the front office.

• **Multimillion-Dollar Loss**—Management has good reason to be concerned with industrial theft. Fidelity & Deposit Co. of Maryland, one of the biggest underwriters of fidelity insurance, places theft losses at an annual \$500-million. A national detective agency that handles many industrial accounts says it's closer to \$750-million. Although these figures may be high, it's clear that internal theft is rising steadily: Paid-out insurance claims on honesty policies totaled \$5-million in 1949; this year, they'll climb to about \$30-million.

Dishonest employees—production line workers, white collarites, and executives—take a heavy toll. Dun & Bradstreet

estimates that they account for about 8% to 10% of all business failures each year. These figures are based on known thefts, and merely hint at how many businesses fail as a result of undiscovered theft.

• **Why Pilfer**—Companies who have felt the pinch attribute the rise in theft to several factors:

- The tight labor market leads to quick, skimpy screening of new workers and a loosening of reins on older employees.

- The social pressures of today's high standards of living often drive basically honest persons to crime.

- The internal controls of many companies have not kept pace with a spurt in volume.

It's obvious, however, that no one reason can be singled out. "Young or old, new or trusted," a Midwestern security official says, "there's no way of foretelling. Persons who wouldn't dream of robbing an individual see no harm in taking from an impersonal big corporation." Recently, the foreman of a San Francisco wholesale hardware house confessed that he had stolen something every working day of his 29 years with the company.

Also blocking conformity in security measures are the myriad types of items taken and the schemes involved. For the most part, workers operate in teams, lean toward product and tool pilferage and theft. White collar employees and executives work alone, tend toward cash thefts. But that's as far as generalities go.

• **The Light-Fingered Brass**—Proportionately, there's a greater degree of

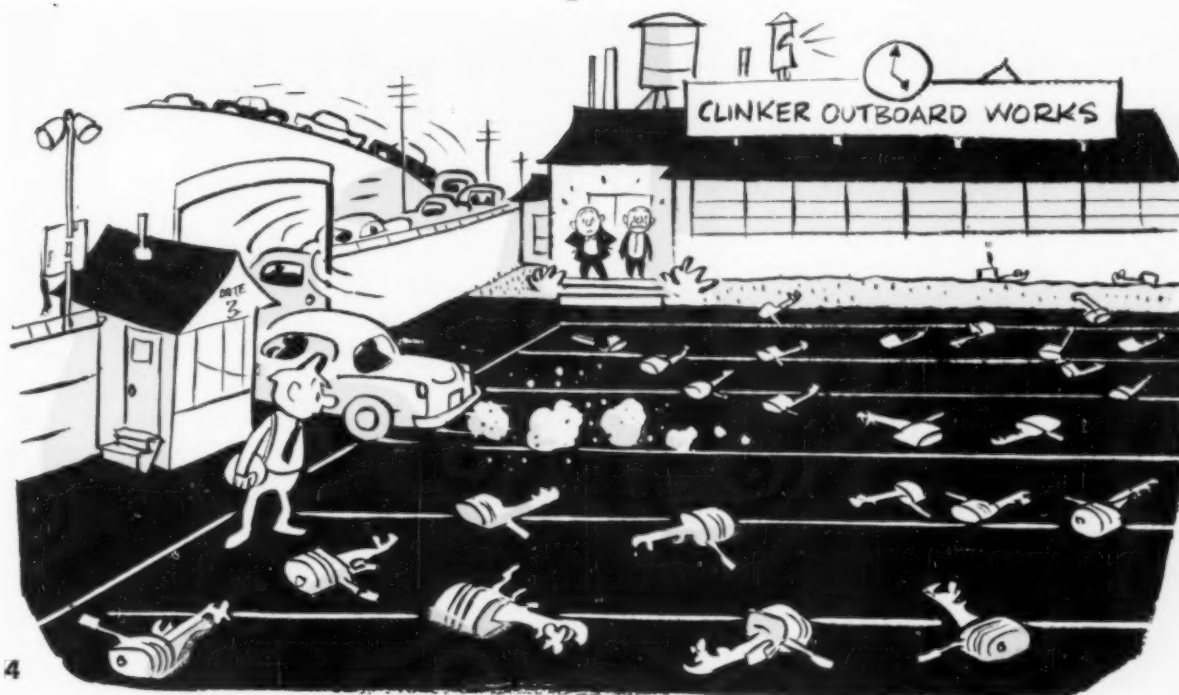
theft among production line workers as compared with white collarites and executives. The latter groups, of course, don't have so many opportunities. But their light fingers take a big wad out of a company's pocketbook.

The treasurer of a Cleveland company took \$10,000 by cashing checks from petty cash. The secretary-treasurer of a big Eastern manufacturing concern used a more complicated method to extract \$90,000. This \$12,000-a-year man was authorized to sign company checks without limitation. So he would issue a company check payable to his employer's bank, accompanied with an order on the bank to issue a cashier's check to his own personal creditor. He covered up by charging these items to an active account.

A Michigan machine maker discovered that one of its executives had walked off with \$117,000 over a number of years by writing phony checks and cashing them outside the state. Fellow executives were tipped off when an out-of-state bank filed a bill for 42¢ to cover check-cashing expenses.

Other front office men steal from their company by padding payrolls, fixing vouchers, and snafu cash receipts. These schemes are more of a problem than in-plant pilfering because of the relatively large sums involved. The complexity of many of these schemes also makes the detection problem harder.

Checks are issued in payment of bills of fictitious suppliers and cashed through a dummy, or by faked endorsements. Goods are invoiced below established prices, and kickbacks in cash go from purchaser to front office man. Checks are forged, then destroyed when returned by the bank, and the transactions are concealed by raising the amount of legitimate checks. The amounts of checks, invoices, and vouchers are raised after they have been offi-



4

cially O.K.'d. Proceeds of cash sales are pocketed, not recorded. Customers are charged more than the duplicate sales slip shows, with the difference being pocketed. Returned purchases, allowances, and discounts aren't recorded; equivalent amounts of cash are then embezzled.

- **"Hot" Products**—Pilferers use more prosaic ways to haul off drugs, hand tools, tubes, electric drills. Manufacturers tend to ignore much of this loss, but when large items are taken, in-plant theft becomes too big to overlook. Companies suffer when new "hot" products catch the public's eye. Today's "hot" item is transistor radios, and there's a rash of pilfering in appliance houses. Scrap losses, from scrap sale swindles, also hurt a company. Armstrong Cork Co. lost more than \$75,000, and McDonnell Aircraft Corp. \$100,000 when employees sold their companies' scrap below its true value.

- **The Standard Measures**—Rather than risk management-employee relationships, many companies try to get by without fancy security measures. They maintain standard plant security—guards, cursory gate checks, and some form of inventory control. But they make only a token effort to follow the basic steps of protection—checking applicants carefully, screening personnel, enforcing strict inventory control, keeping books well audited, maintaining adequate insurance coverage. For example, only one out of four companies carries separate honesty insurance policies that bond their employees and executives. Some, however, act as self-

insurers, setting aside specially budgeted funds to cover in-plant losses. All, of course, carry a theft policy—which protects against burglary—but in many cases these policies are inadequate.

- **Checkreins**—Some companies try to curb pilfering by offering tools and equipment at cut-rate prices. Eitel-McCullough, Inc., a San Francisco electronics maker, goes a step further, lends tools to its employees.

Other companies use sterner methods to crack down on stealing. Columbus Plastic Products, Inc., posts a \$500 reward for information leading to the conviction of an employee for theft. The company estimates that the offer cut its one-time annual losses of \$15,000 by 95%. General Metals Corp. marks its equipment with electric pencils in a place where it is impossible to grind off the mark. Another company stamps its tools with "47," a number hard to erase. One big appliance company checks the serial number of its transistors every hour. Burroughs Corp. uses closed-circuit TV to detect pilfering.

The guard who monitors Burroughs' three cameras can hear any noises in a spotted area through open microphones, and he can talk to persons in the same region through a squawk box. In some companies, security goes down to the cabinet file level, to prevent the smuggling out of adding machines, typewriters, and paper by the clerical force.

- **Company Defenses**—Against front office embezzlement, many companies also have worked out defenses.

Hundreds of offices use surprise

auditing to check books. Many keep an eye on cash receipts by depositing receipts with a three-deposit-slip method: One is stamped by the bank, and immediately returned to the person making the deposit for delivery to the company's cashier, the second is mailed by the bank directly to the company's auditing department; the third copy is retained by the bank for its records. Some companies keep switching members of their credit and collection departments to different positions.

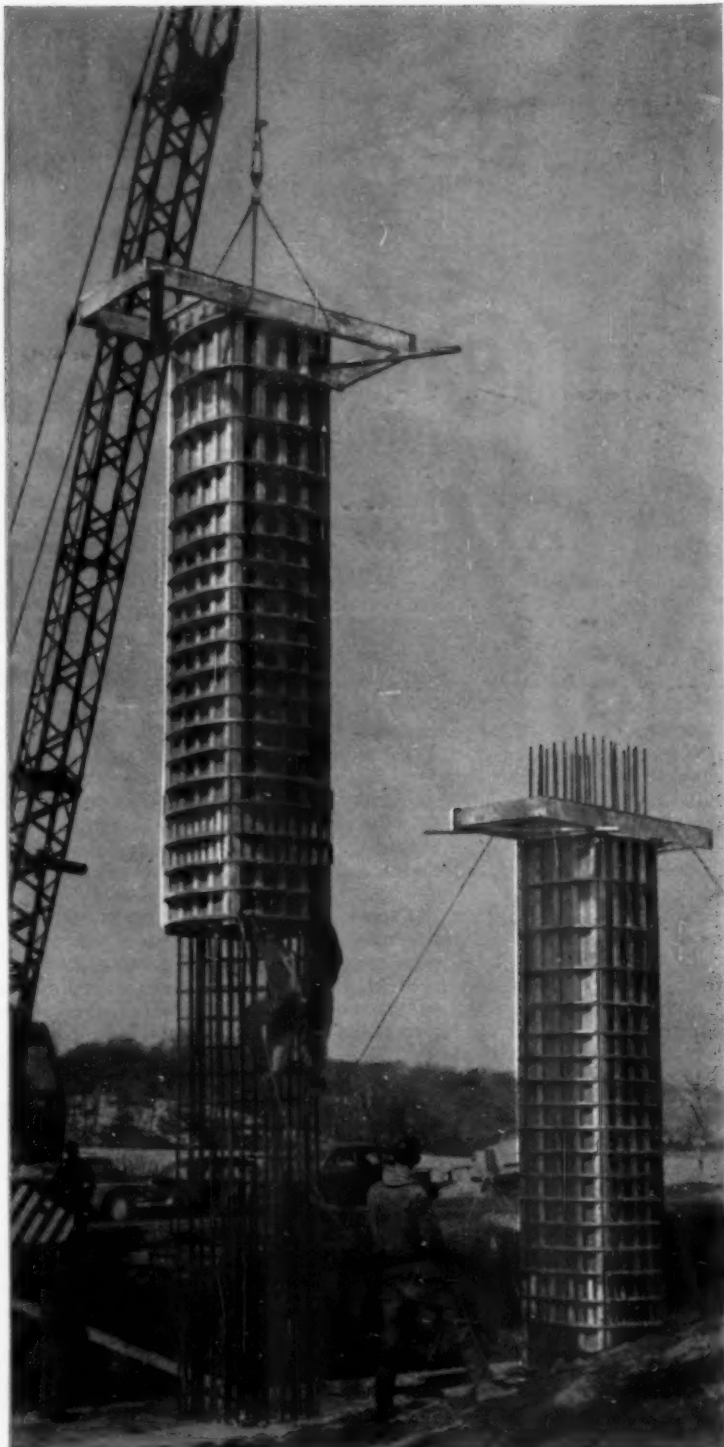
These tactics, of course, can't readily be applied to the top echelon. But a number of companies use lie detectors to check dishonest employees. One such company says the idea is so effective that it has only to threaten its use before the thief comes forward or secretly returns the stolen goods. And if companies ask their employees to submit to such tests, their executives can hardly refuse a similar examination.

- **Punishment**—Even after the thief is caught, there still remains a big problem: What to do with him. Most companies still refrain from prosecution of pilferers; restitution is all they want. Many consider each case individually, give light offenders a second chance. One concern likes to give pilferers the "Army grease pit method"—a rough, dirty assignment.

Embezzling executives get a tougher deal. Because of the cash sums involved, almost all companies prosecute with a vengeance. And if a company suspects, but can't prove that an executive is embezzling, it will nudge him out some way. **END**

Construction savings... in concrete form

When a new way proves both faster and cheaper than the old, it wins new converts fast. That's what's happening to the use of Signode steel strapping to hold column forms together. Into these forms concrete is poured for the new buildings, bridges and overpasses that are giving a new look to America. Wide use is being made by contractors of form designs worked out by Signode, and of Signode formulas for the placement of strapping. Signode field engineers are available, when needed, to help you work out ways to make the most of steel strapping's unbeatable combination of strength and low cost. Why not talk with the Signode man near you? Or write:



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• • •

Raytheon Sells Its Share of Datamatic To Minneapolis-Honeywell for \$4.5-Million

A two-year joint venture wound up last month with the coming of age of an important new competitor in the field of giant computers. For \$4.5-million, Minneapolis-Honeywell Regulator Co. bought out Raytheon Mfg. Co.'s 40% share in Datamatic Corp., adding it to the 60% already held by M-H. (Datamatic turns out a business computer, originally developed by Raytheon, that sells for around \$2.5-million.)

What happened is that Datamatic development has reached a stage where getting it to market calls for important injections of cash. Raytheon doesn't have this kind of money. It needs cash for investment in its own business, and was willing to sell out to M-H for a profit.

M-H, which aims to raise \$33-million from its stockholders, is earmarking big chunks of it for Datamatic. Thus far M-H has put \$10-million into Datamatic, expects to sink another \$5-million during 1957, and further important sums later.

Meanwhile, Datamatic is installing its first model this summer, has seven more ordered, and expects to grow on from there.

• • •

1956 Business Gifts Reached \$500-Million— With Education the Biggest Gainer

Corporate philanthropists last year gave away an estimated \$500-million, says the American Assn. of Fund Raising Counsel.

Aid to education climbed from \$80-million in 1955 to an estimated \$130-million for the biggest single gain.

Corporate aid for hospitals, also near the \$130-million mark, accounted for 40% of capital expenditures by U. S. hospitals. The remaining millions were spread over a variety of programs with local Community Chest and United Fund drives taking the bulk.

However, national health organizations such as the American Cancer Society, the National Foundation of Infantile Paralysis, and others, are drawing more business interest and help too, says the National Better Business Bureau, Inc.

Last month at a special conference on industry's role in the national health field, the BBB released a survey of 158 companies and 26 major agencies.

The 12 largest health agencies reported business grants totalling \$10.5-million. This is only 9% of the \$116-million raised by the agencies from all sources, but it is an increase. In 1950, says the BBB, only 10 of the surveyed companies contributed to nine or more different agencies. Now, the number is 38.

Company giving follows no set pattern, says BBB. Amounts vary greatly and so does the manner of choosing a recipient. Often it develops into a matter of who gets

to a company first, or on which particular drives company officers happen to be serving. Most companies do cite the impact of a disease on the community as a factor. Half of them also say that when it comes to a choice between agencies, their impressions of the effectiveness of particular programs is a key point.

• • •

NICB Says Management Programs Fail to Ferret Out New Talent

Management development programs are so common that you bump into one every time you turn around. The trouble is, they are doing little to solve the shortage of executive talent, says the National Industrial Conference Board.

NICB, reporting on a two-year study of "the selection of company executives", notes that for the most part, development programs involve men already established at the management level. Programs may help these individuals become better managers, but do little to increase the supply of new talent says NICB.

Most companies still rely on natural selection to fill managerial ranks. That is, they assume that the cream of the crop, the most capable men, will naturally rise to the top. However, it just doesn't work out that way, says NICB.

As companies grow larger, it becomes easier and easier for talent to become buried. Corporations need to make a studied and continuous effort to prevent this, and the few that do, seem to have no lack of management in depth, says NICB.

• • •

Swan-Finch Board Reinstates Damp, Talks of Making Room for Rebels

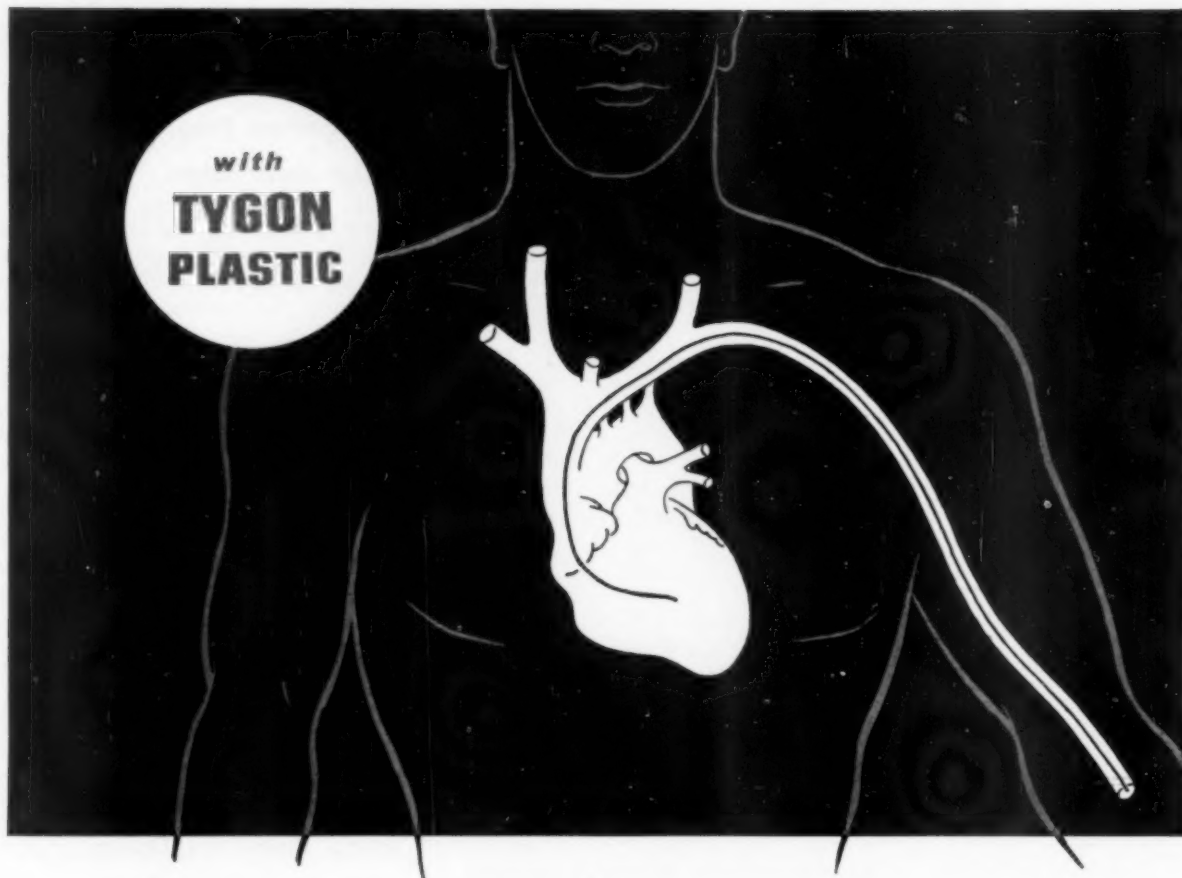
Ralph E. Damp, fired first as president, then as a director of Swan-Finch Oil Corp., is back on the board—and he's likely to see the departure of some of his recent opponents.

When Damp was ousted as president—in the wake of Securities & Exchange Commission charges that Swan-Finch was selling unregistered stock—he said he was dropped because he had demanded an independent audit of the company's books. But his successor, R. H. Callahan, said Damp got the pink slip because he allied himself with raiding groups that were eeking control of the company.

In any case, at that point Damp was still a director. But before he could get into a special meeting of the board bearing a restraining order he had secured in New York State Supreme Court, the majority had voted to change the bylaws so that they could depose him as director, too.

Damp held this ouster was illegal. However, questions as to whether this ouster was legal became irrelevant this week when Swan-Finch signed a consent decree to register any stock that it sells, reinstated Damp on the board, and talked of granting 50% representation on the board to a consolidated group of rebel stockholders.

learning the secrets of the Heart



THE secrets of what occurs in the human heart while working are slowly unveiled by a new development in medical science — the heart catheter.

A thin Tygon plastic tube is inserted into a vein in the arm and carefully threaded through the vein until it actually enters the heart cavities. The internal sounds of the heart can be studied, samples of the blood in the heart, as it enters the heart, or as it leaves the heart can be analyzed.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 6, 1957



Washington still thinks there's at least an even chance of reaching a first step arms control agreement with Moscow.

Reports of indecision within the Administration are exaggerated. Pres. Eisenhower is determined to get an agreement if possible. And once the Russians show their hand, Eisenhower will establish a firm U.S. policy. There's not much doubt, either, that the Senate would ratify any arms control agreement that Eisenhower will buy.

This week the arms control talks in London started moving forward again. Western delegates have been laying before the Russians their proposals on (1) ending nuclear testing and production; and (2) aerial inspection.

Our allies finally have bought both counts of the basic U.S. position. They now are willing to ban nuclear testing for a 10-month trial period, while negotiations to end nuclear weapons production go forward. And they are willing to submit to aerial inspection in Europe.

West and East still are far apart, however.

The Russians say they want a three-year test ban and they seem reluctant to tie it to a production cutoff.

Although both sides agree in principle on an aerial inspection zone in Europe, there are important differences on its size and location.

The Russians still are plugging for a ban on the use of nuclear weapons in war. The West probably will offer to ban their use except in self defense—which would be defined to cover practically any contingency that could lead to war.

Concrete steps to implement an arms control agreement still are a long way off, regardless of how things go now in London.

It's likely to be fall at least before an agreement in principle could be buttoned up. Then the details would have to be worked out—before the ratification process started. That means that it may be a year, at the earliest, before any agreed arms curbs could become effective.

Economic problems, especially a shortage of capital, dominated the conference of Commonwealth Prime Ministers in London.

India and Ghana are pressing London for more investment capital. The Indians need £200-million for their second Five-Year Plan, and Ghana wants £300-million for its Volta River project.

Canada, too, is asking for more British investment—to help balance the heavy inflow from the U.S. (BW—Jun.29'57,p48).

It's hard to see how London can stretch its limited capital resources to squeeze out more for the Commonwealth. Investment in the sterling area has averaged £150-million a year over the last three years. In Canada, the average has been £40-million.

If London has reached its limit, that leaves the World Bank and private sources in the U.S. as the main hope for the funds India and Ghana are seeking.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JULY 6, 1957

The Commonwealth powwow revealed these new trends:

- A recognition by other Commonwealth members that Britain is doing its bit as a dollar earner. In the past two years, British dollar exports have increased by 40%, whereas the dollar earnings of the rest of the sterling area have risen only 15%.

- Some members of the Commonwealth are showing a real interest in trying to gain admission for their agricultural products to Europe's Common Market. Ghana wants to sell its cocoa there, Australia and New Zealand their dairy products. In return, of course, the Common Market countries would insist on a drastic cut in the preferences British manufacturers enjoy in the Commonwealth.

At midweek in Paris, the National Assembly was in the midst of a historic debate. At issue: French ratification of the Rome treaties establishing the Common Market and Euratom.

As the debate got going, the betting favored ratification by the weekend or early next week—but by only a small majority.

Meanwhile in Bonn, the Adenauer government was set to put the Rome treaties to a final vote in the Bundestag before the end of the week. In Bonn, there seemed to be no doubt about the outcome.

There are persistent reports in the Ruhr of an impending steel merger—between August Thyssen-Huette and Phoenix Rheinrohr.

A Thyssen-Phoenix marriage would have assets of well over \$600-million and an annual crude steel output of about 5-million tons. It would be the biggest combine in the Ruhr, topping Krupp.

There's a rumor that the combine may be involved in a bid just made by a German bank for the Stinnes coal properties. The bid was made last week to the Hugo Stinnes Corp., the American holding company.

There has been considerable reconcentration of the German steel industry, though there is no sign of a return to the prewar pattern.

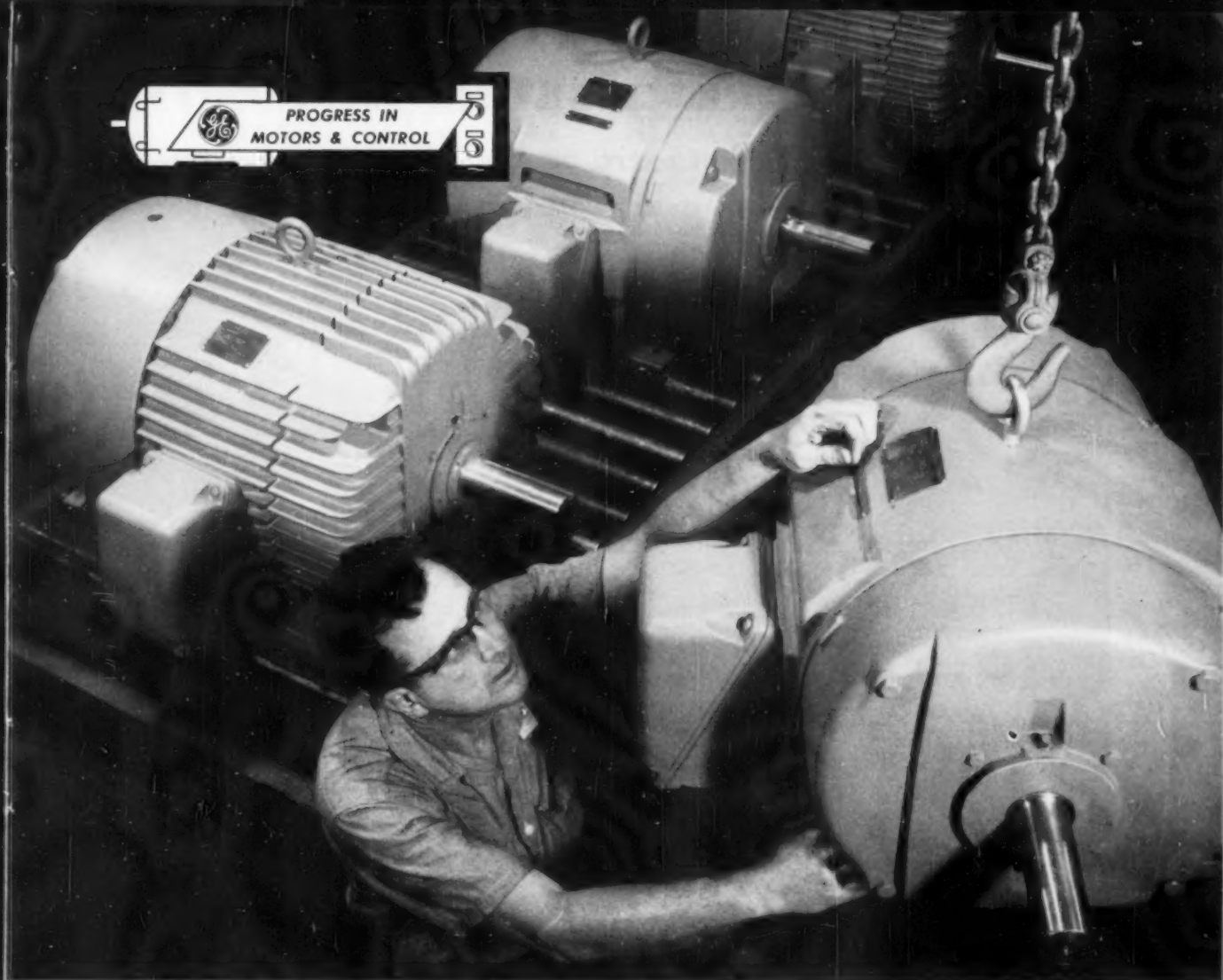
The latest move was made by West Germany's second-biggest steel firm, Rheinische Stahlwerke of Essen. This company won approval from its stockholders to add two major subsidiaries, a metal working company in Dusseldorf and a steel plant in Muelheim-Ruhr.

Import quotas or tariffs on oil aren't in the cards—at least for this year.

Pres. Eisenhower still is strongly opposed to government restrictions, except as a last resort. All signs indicate that the Cabinet committee reviewing oil import policy will recommend giving voluntary controls another chance.

But the committee may not stick with the formula that has been used up to now in the attempt to get a voluntary limitation. This formula has been based on the 1954 ratio of imports to domestic production.

Oil imports have been exceeding the 1954 ratio by large amounts—so large that it is unlikely that imports could be brought down to the old level again through voluntary action.



PACKING MORE POWER IN SMALLER ENCLOSURES . . .

General Electric Extends Line of **TRI 55 CLAD** Motors to 125 Horsepower

Increased production throughout U.S. industry has created a demand for more powerful machines with greater speeds and increased capacity. Now, to meet this demand, General Electric has extended the available ratings on its Tri-Clad '55' motor line to 125 horsepower.

Originally introduced in 1954, the Tri-Clad '55' line (then available only to 30 horsepower) received almost immediate customer acceptance because of its advantages of reduced size, easier installation, greatly reduced maintenance, and longer life.

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For its personnel, The St. Lawrence Seaway Authority (Canada) has designed and purchased a program of employee benefits. The New York Life Insurance Company underwrites that portion of the program which provides hospital, surgical, medical and major medical expense insurance benefits for employees, their wives and dependent children.

The St. Lawrence Seaway Authority is among thousands of organizations in the United States and Canada which

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. . .

House Group Sounds a Warning On Noncompetitive Military Buying

House investigators this week turned their critical fire on a long-time target: the high volume of military procurement awarded through private negotiated contracts (92% of the dollar value last year), and the piddling amount handled by advertised competitive bidding.

A report issued by the House Armed Services investigations subcommittee, headed by Rep. F. Edward Hebert (D-La.), proposed changes in military procurement rules to restrict negotiated procurement (a "spawning ground for suspicion and fraud," Hebert calls it).

The Armed Services Procurement Act lays down the principle that all military procurement is to be awarded under formal advertising. But the law provides for so many exceptions that only \$1.1-billion of the \$13.8-billion worth of procurement during January-September, 1956, was actually awarded this way.

For the most part, the exceptions are aimed at speeding up emergency procurement of complex new weapons. Hebert wants to tighten up the rules. Specifically, he would permit exceptions to the rule of formal advertised bidding only in a national emergency declared by Congress. At present, exceptions are allowed in an emergency declared by either Congress or the President. The Presidentially declared Korean emergency is still in effect technically.

Pentagon officials claim that genuine competition does exist under negotiated procurement. Hebert wants a proviso for public disclosure of individual price proposal and the names of contractors.

Legislation embodying some of Hebert's proposals was passed last year by the House, but was not acted upon by the Senate.

. . .

Eisenhower Fills TVA Vacancy By Naming Budget Bureau Man

Pres. Eisenhower has taken official Washington by surprise by nominating unexpectedly a non-controversial figure to a controversial post—one of the most difficult vacancies the President has had to fill. The President named Arnold R. Jones, deputy director of the Budget Bureau, to the three-man board of the Tennessee Valley Authority to replace Harry A. Curtis, whose nine-year term expired in May.

A Kansas Republican, the 57-year-old Jones is close to Milton Eisenhower, the President's brother. This goes back to their association at Kansas State College when Milton Eisenhower was president and Jones was dean of financial administration.

If Jones is confirmed, Eisenhower nominees will be in the majority on the TVA board. The President appointed the present chairman, Herbert D. Vogel. The

remaining Democratic appointee is Raymond R. Paty.

So far, the only indication of controversial association that TVA supporters might find in Jones' background is his employment in the Budget Bureau—pro-TVA congressmen often accuse the bureau of being anti-public power. But Jones came to the bureau after the Dixon-Yates incident was over.

. . .

Fast Write-Off Narrows Down As Four More Goals Are Closed

Four more fast tax write-off goals have been marked "closed" by the Office of Defense Mobilization—covering production facilities for nickel, steam turbines, steel castings, and substitutes for strategic mica.

This leaves open for tax-write-off help only the following: military and Atomic Energy Commission research and development facilities, production facilities for direct Pentagon and AEC contracts, liquid oxygen and nitrogen, and roll-on, roll-off ships. Under strong pressure from Congress and the Treasury, ODM has expressed willingness to close the latter two of these four.

. . .

Post Office, Pinched by Budget Cut, Ups Charge for Special Services

The Post Office, squeezed between a budget cut and Congressional reluctance to raise rates, took matters into its own hands this week with some "administrative increases." It raised by as much as 150% the prices of special services—registry, money orders, and the like.

The Post Office acted in the face of a \$16.5-million budget cut from the \$149.5-million it requested.

It will now cost the sender of a registered letter 50¢ instead of the usual 20¢ to have it delivered to a specific addressee rather than allowing someone else to sign for it. In all, prices were boosted on 11 general categories of services—including a 5¢ increase on all money orders, a 1¢ increase on business reply cards and envelopes, and a 10¢ increase in all special delivery fees.

. . .

House Passes Bill to Provide Federal Insurance on Atoms

The House this week passed the bill that would provide federal liability insurance up to \$500-million on each reactor project licensed by the Atomic Energy Commission. The measure, supported by the Administration and industry, still requires Senate action.

The bill aims to provide reactor operators with greater protection than is available from private insurance against claims from the public in the event of a major accident. Private insurance groups have offered up to \$60-million for both property and liability claims.

Limited opposition was led by Rep. Chet Holifield (D-Calif.), who argued that the bill provided a further federal subsidy to private industry.



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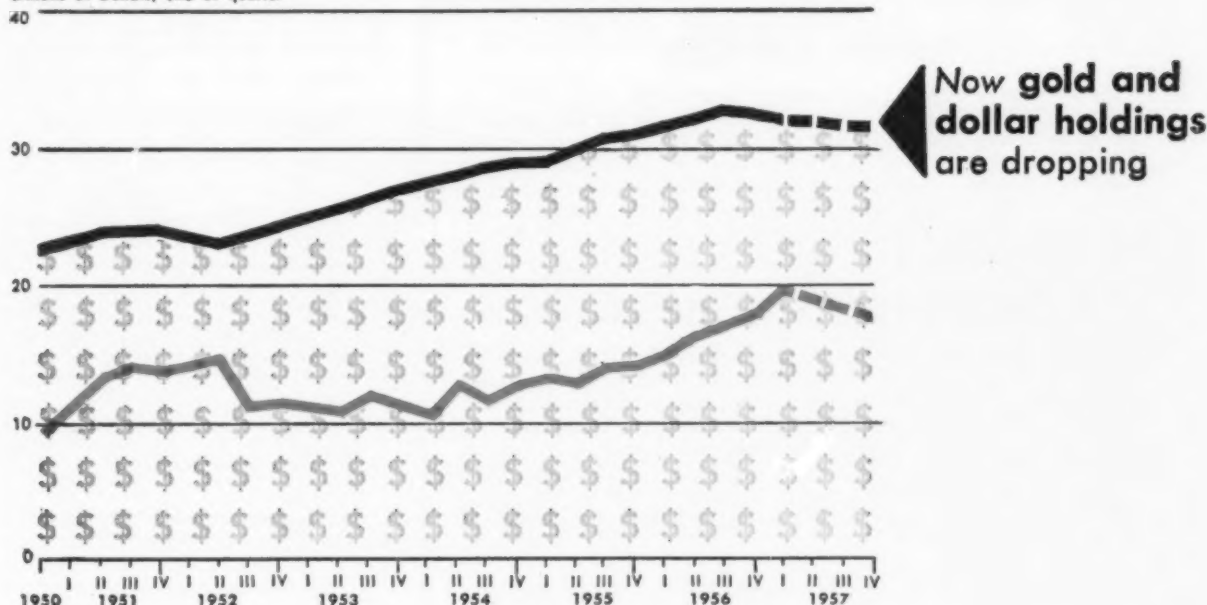
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BUSINESS ABROAD

Since 1950 the climb of U.S. exports* has paralleled the growth of gold and dollar reserves** overseas

Billions of Dollars, end of quarter



* Annual rate.

** All countries except the U.S. and the Communist bloc including deposits with the International Monetary Fund and gold production of about \$100-million quarterly.

Data: U.S. Dept. of Commerce; BUSINESS WEEK Estimates

©BUSINESS WEEK

Export Boom Runs Into Trouble

Most countries that buy from the U. S. find themselves critically short of gold and dollar reserves. That means they'll have to curb economic expansion or imports—or both.

Some U.S. economists this week were expressing doubt that American exports could keep up their record level (chart) much longer. They expect exports to fall off significantly during the rest of this year, with the slump possibly extending into 1958.

So far, there's no visible slackening of the record export totals. Commerce Dept. figures for the first quarter—the last period for which official figures are available—show merchandise exports running at the annual rate of \$20.3-billion. By the fourth quarter, however, the rate may be down to \$18.5-billion.

The drop in the level of exports generally will reflect the slow-down that has already taken place in the world economy. Two reports released this week—the United Nation's 1956 World

Economic Survey and the General Agreement on Trade & Tariffs (GATT) annual report—stress this slackening in Free World production and trade.

• **Drop in Reserves**—The recent drop in total gold and dollar reserves held by foreign countries (chart) gives an immediate clue to what lies ahead in the export field, since the level of reserves provides an index to the ability of overseas customers to pay for American goods. For the past eight months, reserves have been dropping. In the past, such a fall has been followed in about six months by a corresponding skid in U.S. exports.

Foreign countries (all the Free World excluding the U.S.) saw their reserves diminish by more than \$300-million in the last quarter of 1956, and by about

\$500-million in the first quarter of this year. Looking ahead, government people speculate that reserves may drop \$200-million this quarter, another \$100-million in the third quarter.

After that, reserves may stabilize—as import restrictions and deflationary measures imposed by foreign governments begin to take hold. But even this kind of qualified optimism is based on the assumption that U.S. imports from these countries will pick up toward the end of the year as the whole U.S. economy—and particularly industrial production—turns up (page 25). That would boost the earnings of foreign countries supplying industrial raw materials.

Even if this gloomy theorizing is right, U.S. exports for 1957 as a whole will still set a record—somewhere around \$19-billion, compared with \$17.3-billion last year.

• **The Danger**—The drop in foreign reserves is a worry not only because it

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"... in 1956 the value of world trade was 11% higher than in 1955 ..."

STORY starts on p. 85

may cause a slide in U.S. exports, but also because of its possible effect on world trade policies. Some observers fear foreign governments may be more inclined to impose severe import restrictions to halt the drain on their reserves than to deal with the problem by adopting deflationary policies. If this happened, then the important progress made toward trade and payments liberalization in the last few years, even such moves as European economic integration (BW-Jun.29'57,p7), would be jeopardized.

• **GATT Report**—The record level of U.S. exports during the last three quarters is part of a worldwide pattern, as depicted in GATT's fifth annual report. The trade group reports that in 1956 the value of world trade was 11% higher than in 1955. During the second half of the year, exports were running at an annual rate of \$95-billion.

The 1956 rate of growth of world trade by volume was 9.5%—the same as the preceding year. But the GATT experts believe the 1957 rate won't be so high, because the rate of growth of industrial production has leveled off—particularly outside North America.

The GATT economists point out that in 1955 the increase in world trade nearly paralleled the rise in the volume of world industrial production. But the growth of trade in 1956 was almost double the growth of industrial production. And such a situation cannot continue for long, GATT concludes.

• **Other Factors**—It also should be pointed out that a considerable number of temporary conditions boosted U.S. exports during the past six months. U.S. oil exports, because of the blockage of the Suez Canal, were about \$200-million higher than normal during the first quarter. Bad European wheat harvests last year were still swelling U.S. exports of grain in the first quarter. Washington's efforts to move cotton abroad have been so successful that exports have been outpacing the growth of foreign cotton consumption and inventories abroad are mounting. And there are indications that exports of some other products are abnormally high and can be expected to taper off.

• **Root of the Trouble**—These temporary situations have caused a heavy drain on the gold and dollar reserves of many U.S. customers. But there are more fundamental reasons why the gap between what foreign countries earn and what they spend in the U.S. is widening.



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"... the long-term drain on foreign gold and dollar reserves caused by over-rapid expansion abroad is what has the experts worried. . ."

STORY starts on p. 85

ing. Some of the causes are transitional, others more permanent. The principal ones are:

- The Suez crisis. The blockage of Suez and the mobilization in Britain and France directly or indirectly may have accounted for half the current foreign reserve losses—at an annual rate of about \$1-billion. In addition to dollar oil imports, the inflow of foreign capital into the U.S. jumped by nearly \$60-million in the first quarter of this year and expenditures by U.S. tourists abroad dropped largely as a result of the war scare.

- The leveling off of U.S. industrial production. U.S. imports of raw materials and semi-manufactured goods are down, with the exception of wool and petroleum. Lumber, newsprint, and steel products imports have fallen off. Lower prices for rubber, copper, lead, and zinc have hit foreign producers. Since U.S. inventories are rising despite lower imports of these products, the situation is likely to get worse. The drop in U.S. imports is responsible for drawing down foreign reserves about \$400-million on an annual basis, or about 20% of the total losses.

- Too rapid economic expansion abroad. Many countries are riding a boom that is building up their own people's demand for goods faster than they can meet it from their own resources. At the same time that this creates a greater demand for imports, it eats into production for export that earns dollars. The reserve loss from this cause is estimated to account for roughly 30% of the total loss—or about \$600-million on an annual basis.

The long-term drain caused by over-rapid expansion is the real threat. Foreign governments will be forced sooner or later to curb economic expansion or imports—or perhaps both. That is bound to mean a slackening of U.S. imports.

- **Explanation**—Theoreticians at the United Nations increasingly are turning to more complicated arguments for explaining the continual gap in balance of payments. The U.N.'s World Economic Survey, published last weekend, says that inflation in the deficit countries is not the only cause of payments difficulties between foreign countries and the U.S.—especially the countries of Western Europe. Economists suggest that a more rapid rise in productivity in the U.S. than in Western Europe is responsible.

Still another problem, bound to affect the long-term market for U.S. exports, is the declining share of world trade accounted for by commerce between

industrialized and non-industrialized nations.

This decline was responsible in 1956 for a further slump in exports from the non-industrial countries to the industrialized nations. The non-industrialized countries closed out 1956 with a deficit of about \$1.2-billion in contrast to a surplus of \$2.8-billion in their trade with industrialized nations in 1950. If this drain on their reserves continues, it will make it increasingly difficult for them to finance imports from industrialized nations, such as the U.S.

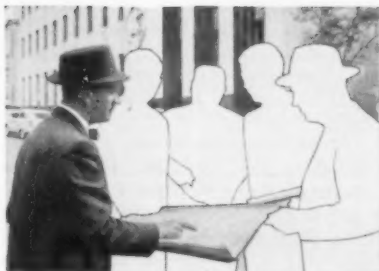
This situation may be particularly hard on American exporters, since it's what U.N. economists call the semi-industrialized nations—Argentina, Brazil, Mexico, Australia, India, the Union of South Africa, Finland, and Yugoslavia—that have had a declining share in world trade since 1938. Several of these countries are among the U.S. best customers.

- **Common Problem**—However, balance of payments difficulties is widespread throughout the Free World. Almost all the countries of Western Europe—with the exception of Germany and Switzerland—are in trouble in varying degrees. In the first quarter, France alone lost \$300-million reserves, and it is continuing to lose at the rate of about \$100-million a month (BW—Jun. 29 '57, p141). Holland, Belgium, and Italy have suffered losses. Britain's reserve dollars fell in the first months of this year, but the drain seems to have been plugged.

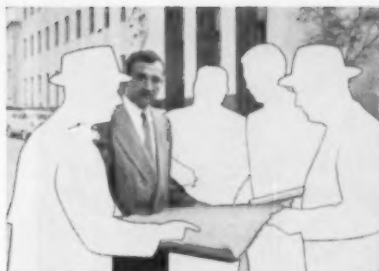
In the Far East, Japan, the U.S.' No. 2 customer so far in 1957, ran up a dollar deficit of \$124-million in the first quarter, largely as the result of heavy imports of raw materials to restock inventories. In India, internal inflation and a huge capital plant investment program are putting heavy strain on its reserves. Indonesia, because of internal instability and falling prices of rubber and other commodities, is near bankruptcy.

Mexico, another top U.S. customer, has a small payments deficit after a long run of surpluses. Softness in demand and price of non-ferrous metals is largely to blame. Brazil's payments are pretty well in balance, but only because of a stringent import restriction program that is drawing down inventories. Essential imports are being postponed—largely because of the uncertainty of prices of coffee futures. Chile and Peru both have been hurt by the fall in non-ferrous metals.

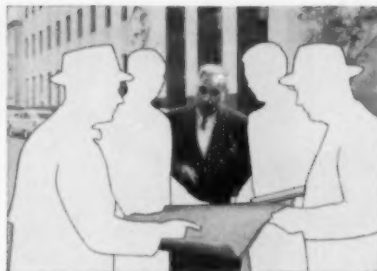
- **Mitigating Factors**—But it's Continental Western Europe that has been



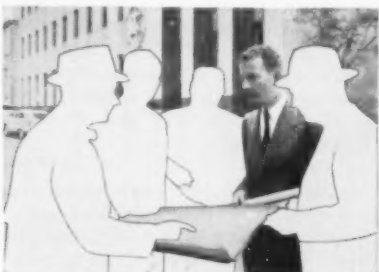
"Here's Tonrac, heart of the air-conditioning system."
— I. A. Lindberg, American Blower Representative



"All the equipment must meet government specifications."
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"Load variations, 0 to 100%, are easy to handle with Tonrac."
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"It took 8 men only 3 days to install the two Tonrac units."
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— A. A. Hero, President, Comfortair Company, Inc.



Result: Teamwork brings new comfort to New Orleans.

Conference on comfort in New Orleans

Here's how American Blower's advanced air-conditioning equipment helped provide a temperature-perfect indoor climate for New Orleans' block-square Federal Office Building.



The teamwork that brought effective air conditioning to the Federal Office Building, New Orleans, La., can help make your system a success. Why not call in an American Blower man when you reach the planning stage?

Conferences like this occur in every city in America, as building owners, engineers and contractors search for the best way to control indoor climate when summer temperatures soar and employee efficiency drops.

To provide comfort, and to raise efficiency, the United States Government installed an air-conditioning system in its New Orleans Federal Office Building. The heart of the system consists of two 300-ton American Blower Tonrac[®] centrifugal refrigerating machines which, states Alvin Hero, president of Comfortair Company, Inc., New Orleans air-conditioning contractors, "were selected primarily on the basis of flexibility—their ability to adapt to varying load conditions, and operate at zero load capacity when needed. And we knew from the reputation of American Blower that Tonracs would give efficient, trouble-free service."

If your building or remodeling plans include air conditioning, it will pay you to call an American Blower representative. His product knowledge can prove invaluable to you. American Blower Division of American-Standard, Detroit 32, Michigan. In Canada: Canadian Sirocco products, Windsor, Ont.

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Air-conditioning equipment for every business



COST LESS

THAN OTHER CRANES
FOR SIMILAR LIFTING JOBS

Series "D" 'Load Lifter' Cranes are for average industrial service. To keep quality high and prices low, they are highly standardized. We build them in 1 to 20-ton capacities with spans up to 80 feet and with cage or floor control. You can order the exact crane you want from a catalog and get a combination of features not available entirely even in the most expensive cranes! For example:

- ✓ High hook lift with comparatively low headroom provides a plus value in lifting on every installation.
- ✓ Anti-friction bearings throughout minimize wear and hold down operating costs.
- ✓ All gears, including bridge and trolley drive gears, operate in oil to keep maintenance low.
- ✓ Positive magnetic control: push button on floor-operated cranes; master switches on cage-controlled cranes. Meet specific needs without compromise.
- ✓ Ball-bearing equipped rotating axles carry bridge and trolley wheels. Long wheel bearing life assured.
- ✓ Double braking system controls drift, provides for fast, accurate spotting; adds extra safety.
- ✓ Rugged hoisting trolley gives efficient service under tough operating conditions.
- ✓ Three-girder bridge on moderate span cranes; box-section welded girders on cranes with spans over 40 feet. Strength where strength is needed most eliminates whipping and skewing.

Reduce your load-handling costs substantially with an efficient, economical Series "D" All-Electric 'Load Lifter' Crane. Catalog 221 contains complete size, type, trolley style, span and other data. Write for a copy and make your selection.



'Load Lifter' CRANES

MANNING, MAXWELL & MOORE, INC.
356 WEST BROADWAY
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Builders of "Show-Box" and 'Load Lifter' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Other divisions produce 'Ashcroft' Gauges, 'Hancock' Valves, 'Consolidated' Safety and Relief Valves, 'American' and 'American-Microsen' Industrial Instruments, and Aircraft Products. In Canada: Manning, Maxwell & Moore of Canada, Ltd., Avenue Road, Galt, Ontario.

the hardest hit. Its net deficit on all payments to the U.S. totaled \$325-million in the first quarter of 1957 as compared with net surplus of \$145-million in the first quarter of 1956.

Had it not been for the recent more liberal policy of the International Monetary Fund, Western Europe would have been in more serious straits. The I.M.F. loaned its members \$800-million and made standby credits of another \$1-billion available during the last quarter of 1956 and the first months of this year.

Another factor alleviating the severity of this new dollar gap has been the flow of U.S. private investment overseas. Direct new investment hit a new record for the first quarter of this year, up \$140-million over the same period last year.

The biggest increase was in Latin America, where Venezuela alone raked in \$50-million for new oil leases.

• **Long-Term Outlook**—Despite the new payments troubles, most trade analysts are optimistic about the long-term outlook. They seem confident that the world economic boom will continue indefinitely—with occasional pauses for breath—fueled by demands for higher wages. In most parts of the world, these wage hikes will not exceed productivity increases.



A Push for U.S. Goods

This likeness of the Statue of Liberty and New York's skyline looms up surprisingly on one of the busiest corners in Frankfurt. It's part of a campaign by Kaufhof—Germany's largest department store chain—to promote U.S. imports with the "American fair" theme already exploited in Switzerland and France (BW—Dec.24'55,p50). As a result, sales of the Frankfurt store are the best in its history.

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Brown & Bigelow, world's largest calendar and advertising specialties house and famous for its hundreds of items trademarked Remembrance Advertising, uses Copyflex to make exact, legible copies of customers' original orders for imprinted advertising items. These copies are returned to customers for a recheck of the advertising messages and as their file copies for ready, reliable reference. This pleases customers, helps avoid misunderstandings and prevents errors that may mean costly re-runs of advertising items.



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Carnation adopts Styrofoam® as an excellent vapor barrier for their new Seattle plant

Styrofoam, a Dow expanded polystyrene, was selected by Carnation Company for important applications at its new Seattle plant. Carnation has used Styrofoam in various installations during recent years.


One of the most important qualities to look for in an insulation material is its ability to resist water and moisture. Since Styrofoam itself is an excellent vapor barrier, its insulating efficiency remains constantly high throughout its life. In one

room at Carnation, for example, Styrofoam helps maintain a uniform 32-34° F. range.

Styrofoam is lightweight and easy to apply to ceilings and piping. It has a neater, more finished appearance than other insulating materials . . . effectively resists rot and vermin.

For more information about Styrofoam and its outstanding properties, write to THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Department PL1716V.

CHECK THIS EXCLUSIVE COMBINATION OF PROPERTIES

STYROFOAM*  <small>* Styrofoam is a registered trademark of The Dow Chemical Company</small>	Insulations	Low "K" factor	Superior water resistance	High compressive strength	Light weight	Superior resistance to rot and vermin	Easy handling and fabrication	Low-cost installation	Lowest cost per year service
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In Business Abroad

• • •

Japan to Get \$60-Million Loan

From Ex-Im Bank to Buy Cotton

Japan—which only last week got a \$115-million Export-Import Bank loan to finance agricultural commodity purchases in the U.S.—will get another \$60-million at the end of the present cotton growing season. It's the same kind of credit the Japanese have received for six years running, to a total of \$320-million of which \$258-million has been repaid.

Japan is the leading purchaser of U.S. cotton, taking 25% of all American exports last year.

• • •

Latin Americans Advised to Drum Up

More Trade Among Themselves

Latin American countries should work hard toward developing more trade among themselves to keep their economies growing, the Chase Manhattan Bank says in its latest report on Latin America.

Several years ago—the bank points out—intra-Latin American trade ran at an annual rate of more than \$750-million. In 1955 trade among the countries reached a peak of about \$800-million. But last year intra-regional trade fell off sharply.

The bank says the three villains holding back more intra-Latin American trade are the complicated network of bilateral trade agreements, roaring inflation in many of the countries, and the shortage of good transportation between the countries.

Of course, Latin America does big business with the rest of the world—but primarily in foodstuffs and raw materials. Stepped-up trade within the region could be a boon to Latin American manufacturing industry—at present, expanding fitfully because of high costs and, in many cases, limited consumer markets.

The bank puts a damper on the much-discussed common market proposal for Latin America. What would make a lot more sense—the bank says—is the formation of smaller economic groups. For instance, the countries might set up southern, central, and northern South American economic groups.

Already—the bank points out—the Central American countries are making headway along these lines.

• • •

Volkswagen Is Still Racing

To Catch Up With Demand

Volkswagen, West Germany's biggest auto maker, is getting to look like the company that can't catch up with itself.

Reporting on its 1956 business, Volkswagen says its Wolfsburg plant is producing at almost full capacity.

The new Hanover plant is heading fast toward full capacity. Despite this, in both Germany and overseas countries, customers still have to wait six months for delivery.

The company continues to plow back money into expansion. New investments amounted to \$43-million in 1956. Another \$39-million will be spent this year.

Over-all, Volkswagen presents a very tempting picture for West Germans who soon may get a chance to invest in the company. Last year's sales hit a record of \$426-million—roughly 24% above 1955.

Output increased from 396,000 units (cars and trucks) to 465,000, with 55% going to export. Volkswagen says it sold 49,500 cars here last year.

However, wages and salaries have been climbing faster than production. This helped hold last year's net profit to \$2.4-million.

• • •

"American Look" in Men's Attire

Gains Popularity Around World

Countries round the world—from Sweden to Australia—took to American hot dogs, juke boxes, jazz, and soft drinks during and after World War II. Now they are going for the casual "American look" in men's clothes. In fact, the increasing influence of American styles and trends in clothing has become the bane of Bond Street tailors.

All this came out last week at the semi-annual convention of the International Assn. of Clothing Designers in Los Angeles. The 300-member group—some 70 from other countries—conceded that Italy can claim the best-dressed men. But in style trends, the Americans are setting the pace.

Sports clothes are catching on overseas. Wash-and-wear fabrics are becoming popular everywhere. Even in Australia with its strong wool industry, American-type synthetics are in big demand. Although the Ivy League look hasn't made much headway, foreign countries have followed the U.S. lead away from the double-breasted suit. And other countries are on the way to using three-button suits and more colors in suit fabrics.

• • •

Business Abroad Briefs

The oil industry outside the U.S. will spend about \$900-million yearly for new tankers over the next four to five years, a top British oil executive predicted last week.

Cranking up: At Coventry, Jaguar has already put up an 80,000-sq.-ft. building to help replace facilities destroyed in last February's fire. . . . In Buenos Aires, Ford is making a \$93,500 investment toward a truck assembly plant.

U.S. tourist expenditures abroad will rise again this year, despite a post-Suez dip, says the Commerce Dept. Tourists spent \$1.8-billion last year—up \$200-million from 1955.

The largest nuclear power station in Britain—with two reactors producing 500,000 kw. together—will be built at Hinkley Point in Somerset. Cost may run as high as \$196-million.

CONTROL



The Bettmann Archive

The work of 1000 men—with one machine

Eli Whitney's 1793 cotton gin cleaned cotton as fast as 1000 men. It slashed costs and raised production from a mere 190,000 bales in 1791 to 41,000,000 bales in 1803.

The cotton gin made cotton a real cash crop — and began an era of labor-saving devices. Throughout today's textile industry, Taylor Controls are working to cut costs and keep quality high. Specialized systems control slashing (warp conditioning) operations, bleaching . . . and all forms of dyeing, from the lightest synthetic filaments to the bulkiest spun yarns. Taylor's Dye Machine Control System, for example, automatically controls a whole dyeing cycle — the operator just sets three dials and presses

a button. Shade-matching and complete uniformity are assured — steam and labor are saved.

Taylor has worked with the processing industries since 1851 — raising operating efficiency, cutting costs, and improving products. Taylor means quality control in industries like chemicals, milk, rubber, steel, paper, petroleum . . . wherever men measure and control key variables like temperature, pressure, flow, humidity, liquid level, speed, load and density.

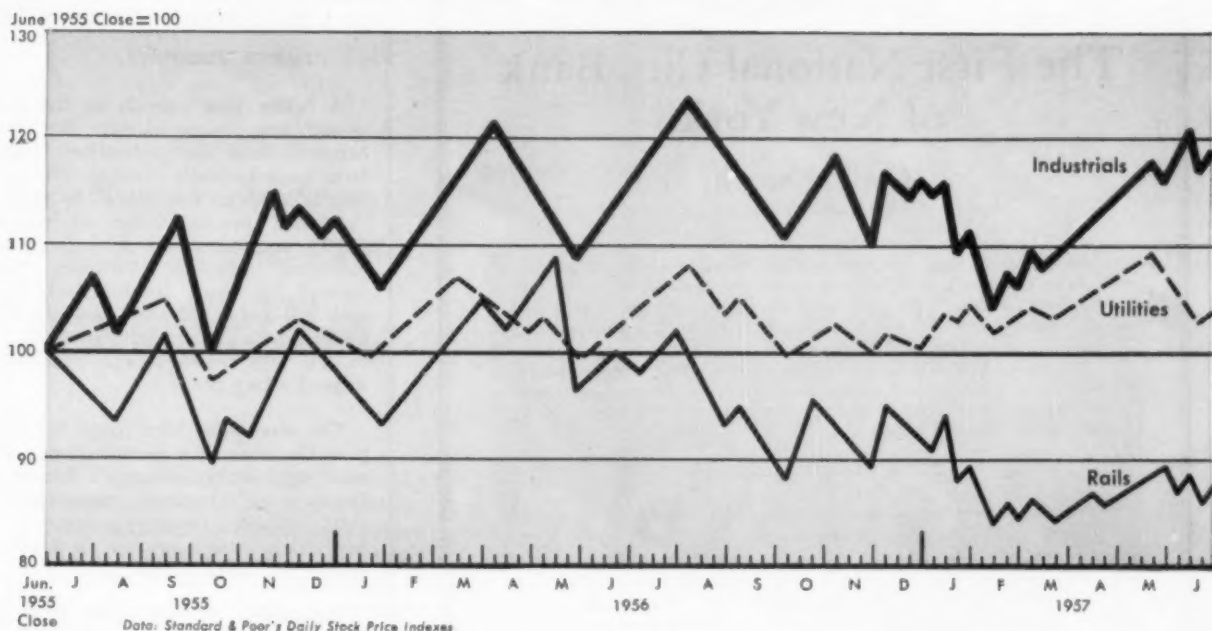
Consultation with a Taylor Field Engineer costs you nothing . . . it may save you a great deal of time and money. Taylor Instrument Companies, Rochester, New York, Toronto, Canada, London, England and Melbourne, Australia.

Taylor Instruments

VISION • INGENUITY • DEPENDABILITY

THE MARKETS

Bull Market Ups-and-Downs the Last Two Years



An Era of "Vicious Selectivity"

The stock market neatly fits one analyst's description of current prosperity as made up of "private bull and private bear markets." Behind the glamorous rise in the industrial index lies a hash of ups and downs among the trades and individual shares.

"Vicious selectivity."

"An era of private bull and private bear markets."

These were among the phrases used by one shrewd Street analyst to describe the background of today's prosperity in general business. And these words of Josephthal & Co.'s S. B. Lurie apply just as well to the stock market since mid-1955.

Just take a look at the wide disparity of movements visible in the chart above. The Big Board's industrial shares have managed to climb about 20% in the past two years, while in the same stretch the utilities have risen only 4%, and the rails have actually fallen off by 12%.

• **Separate Trades**—If you dig behind the over-all indexes into more individualized performances you find an even more alarming degree of that "vicious selectivity."

Even among the "winning" industrials, the blanket of average gain of 20% fitted hardly any of the trades that make up the big grouping. Indeed,

there were as many trades that suffered losses as there were that were blessed with gains.

On the upside, with gains ranging from 31% to 89% were oil, machinery, coal, drugs, aluminum, mining and smelting, and office equipment. But other shares—airlines, lead and zinc, rayon, fertilizer, sulphur, retail stores, shoe and farm machinery—fell off between 10% and 37%.

The same word "vicious" fits just as well for the selectivity among individual companies in such groups over the same two years. Thus among the makers of office equipment, International Business Machines was recently selling two-thirds higher than in mid-1955, while Underwood Corp. was absorbing a 25% drop. Or take the chemicals: You could buy du Pont common for 16% less than two years ago, but Union Carbide would cost you 16% more.

• **Change of Fads**—In the same general picture, there's another disturbing factor: the developing habit of sharp, swift changes in investment buying fads.

For an example, the aircraft group, one of the big early winners in the period under discussion, was selling 73% above its mid-1955 figure not too long ago; but today the "profit" has dwindled to 35%.

The big majority of Streeters frankly admit that they see no early signs of change in this era of "private bull and private bear markets," at least for the more poorly situated trades and individual stocks. One seer has pointed out that "the number of common issues making new lows for the year or longer at a time when the indexes are near their highs suggests persistent liquidation."

• **Weeding Out Urged**—So far there has been no resurgence of outright bearishness despite the market's dispirited performance. But market opinion is beginning to voice more caution in the face of a persistent downdrift in industrial production, the fall of common stock yields below the levels afforded by high-grade bonds generally—and notably the new issues—and other portents that have chilled the enthusiasm of so many investors and traders. More and more market counselors are advising their clients to weed out holdings of "weak" stocks, and to stash away the proceeds for "reserve buying power." **END**

2,000,000 Shares

The First National City Bank of New York

Capital Stock

(Par Value \$20 Per Share)

Holders of the Bank's outstanding Capital Stock are being offered the right to subscribe at \$60 per share for the above shares at the rate of one share for each 5 shares of Capital Stock held of record on June 24, 1957. Subscription Warrants will expire at 3:30 P.M., Eastern Daylight Saving Time, on July 22, 1957.

The several Underwriters have agreed, subject to receiving opinions of counsel, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Capital Stock as set forth in the Offering Circular.

*The Chairman of the Board, in his letter of May 24, 1957
to the Bank's Shareholders, said in part:*

"In recommending that the capital funds of the Bank be enlarged, the Board of Directors is conscious of a responsibility to the country for the Bank to develop at a rate commensurate with the nation's growth and demands for banking services; a responsibility to our depositors to maintain a capital position of unquestioned strength; and a responsibility to our shareholders to provide a strong foundation on which to build for the future. The soundness of the capital increase through the sale of stock in 1954 has been evidenced in that our business has grown to a point where our present capital ratios have returned substantially to those existing prior to that increase. In the light of the enlarged and expanding national and international economy and foreseeing over the years ahead a continuing growth in population and national product and expansion in world trade, we are confident that the proposed addition to our capital funds is in the interest of our shareholders. It will enhance our capacity to serve our present customers, to attract new business, to further broaden our services and to support future growth."

Copies of the Offering Circular may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Offering Circular may legally be distributed.

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Lazard Frères & Co.	Lehman Brothers	Clark, Dodge & Co.
Eastman Dillon, Union Securities & Co.		Glore, Forgan & Co.
Kidder, Peabody & Co.		Ladenburg, Thalmann & Co.
Salomon Bros. & Hutzler	Stone & Webster Securities Corporation	
White, Weld & Co.	Dean Witter & Co.	

Wall St. Talks . . .

. . . about corporate new
issues market . . . steel prices
. . . dividends and stock splits
. . . rumor zoomers.

A better tone prevails in the corporate new issues market. But few Streeters think this portends any near-term basic favorable changes. The reason: It has been due entirely to recent "realistic" pricing tactics of underwriters, and willingness of borrowers to "sweeten" offerings. Premium bids abound for many late-June offerings with 5%-and-up coupons—but bids for earlier deals carrying "unrealistic" 4½%-to-4¾% rates remain sharply under the original asking prices.

The steel price hike (page 30) will probably mean little market change for most steel stocks. Moody's Investors Service says: "The steel companies and their customers, investors generally . . . have taken it into account in looking toward the latter part of 1957."

\$80-million of "paper losses" were recently discernible in the government bond holdings of New York's giant First National City Bank. But Pres. Howard C. Shepherd isn't worried—because most holdings mature in five years or less, so it won't be long before Uncle Sam pays off at par.

The first-half's disappointing dividend box score: According to one dividend compiler, only 249 companies boosted payments, vs. 453 in the 1956 first half; 81 cut or omitted dividends, vs. only 55 in first-half 1956.

Recent zoomers—and the reasons: Haveg Industries, Inc., now \$81, or 248% above its 1957 low, has been kiting on rumors that it has developed a super-plastic invaluable for rockets and missiles. Diners Clubs, Inc., has climbed 128%—to \$37—on stories that Hertz Corp. is negotiating for its purchase. American Electronics has soared 75% to \$19.25 on various merger rumors.

Stock-splitting operations continued at a fast pace in 1957's first half. Splits authorized, Standard & Poor's reports, jumped 5% above 1956 to equal the record 103 of 1955's first half.

Insiders claim \$350-million of successful bond offerings will be needed just to recoup the losses Street underwriters suffered in the recent very sour \$70-million New York Telephone new-issue offering.

For the first time, draftsmen can work in **SEATED COMFORT**

Boost
drafting room morale
with the new **GF**
Draft-a-Matic.



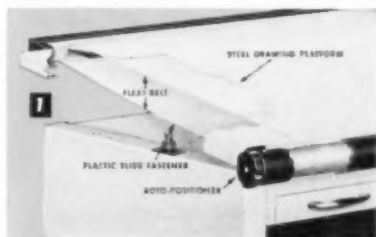
Now . . . instead of standing, stooping, stretching, perching on the edge of a stool . . . the draftsman can remain comfortably seated in an adjustable office chair while Draft-a-Matic's exclusive Roto-Positioner brings all parts of his drawing within easy working range. This increases efficiency by reducing fatigue, improves morale by providing greater working comfort.

Increased productivity is just one of the reasons why engineering costs go down when you install Draft-a-Matic.

Find out for yourself the many reasons why Draft-a-Matic has made conventional drafting desks obsolete, and specifically what it can do for you. See it now at your local GF showroom — look in the Yellow Pages — or write for free 8-page Draft-a-Matic booklet. The General Fireproofing Company, Dept. B-85, Youngstown 1, Ohio.

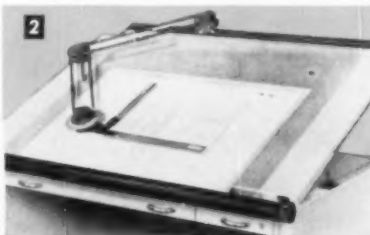
THESE FEATURES MAKE **DRAFT-A-MATIC** WORLD'S FINEST

- All metal construction with baked-on finish. No warping.
- Velvolum covered drafting platform adjustable 0 to 85°.
- Height of entire unit adjustable from 30" to 39" at 1" intervals.
- Large center drawer with locking instrument tray.
- Shelf and storage drawer arrangements to suit individual needs.
- Large sliding reference shelf for extra convenience.
- Designed for space-saving row installation.
- Accommodates parallel straight edge, drafting machine, lamp.
- Exclusive Flexi-Belt and Roto-Positioner delivers the work to the man.



1. Drawing is affixed to endless vinyl plastic belt. By merely turning Roto-Positioner wheel, draftsman moves drawing into working range while remaining comfortably seated.

2. Draft-a-Matic will accommodate drafting machine, parallel straight edge, lamps and



similar accessories. Drawing platform is covered with Mist Green Velvolum.

3. Row arrangement creates a complete work station in only 32 square feet. Immediately behind draftsmen are drawers and shelves for reference material and a handy sliding work shelf.



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SUPER-FILER MECHANIZED FILING EQUIPMENT • SHELVING • PARTITIONS

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"can we afford to modernize?"

"it's cheaper than production losses!"

"it's the economical way to grow!"

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By arranging with the Avis office when you rent your car, you can leave it at any other Avis office in the nation—for a modest return charge.



PERSONAL BUSINESS

BUSINESS WEEK

JULY 6, 1957

A BUSINESS WEEK

SERVICE

The Commissioner of Internal Revenue has just come out with another warning—in the form of instructions to all IRS offices—aimed at businessmen who might carry tax-free expense accounts too far.

The trouble is, of course, when this sort of clampdown comes along, it's bound to throw under suspicion a great many activities that are entirely legitimate and above board.

Special targets—which IRS men have been told to keep a closer eye on—are (1) visits by executives to branch offices located in vacation resort areas, (2) business trips to places that are conducive to sports activities, (3) entertaining of clients and out-of-town executives at company-owned guest houses, and (4) sailing on private cruisers and yachts with clients.

The fact is, IRS has had an increasingly tough time lately **sorting out legitimate business activities of this kind** from those that may be difficult to justify. The present crackdown, at least, will sharpen up the sorting process—in favor of the U. S. Treasury.

If IRS thinks that the amount of traveling or entertaining has got out of line, it will seek an answer to **one basic question**: Can it be shown that the company realized some reasonable dollar return on these activities?

If not, the traveling or entertaining executive is apt to find himself charged with **additional taxable income**—up to the full amount of the expenses incurred. (His "expenses" would be treated simply as extra compensation, or ordinary income.)

One tip to yachtsmen: If you entertain business clients aboard, you'll need complete and accurate records to tie in boat operations with business operations. One good way to do this is to keep a log book—and have each business client sign it, with dates clearly indicated.

Incidentally, **if you use your summer home for business entertaining**, you can take full advantage of the expense-allowance rules that apply to regular year-round residences.

In addition to the actual costs of entertaining (refreshments, maid services, etc.), you may list as business expenses part of the upkeep costs of the summer house, including:

- Depreciation of furniture and equipment used for entertaining. For example, furnishings for a party room—cocktail bar, refrigerator, stools, accessories, and so on.
- Rental fees, or expenses of ownership (including depreciation), reasonably allocated to account for business use.
- Maintenance, repair, and decoration costs, also allocated—but not sums spent for remodeling or rebuilding (these being capital improvements that must be depreciated over their useful lives).

Summer health and comfort department:

Sting rays are more apt to nip you during July and August—that's when they head into the shallow waters near shore. **A recent medical report on first aid for sting ray wounds** says: Immerse foot and ankle in ice cold water to a depth of six inches above the wound. Pain should be reduced in five minutes and completely relieved in 10 to 20 minutes.

Several new **all-purpose insect repellents** have been licensed and put on the market. They were developed by the Dept. of Agriculture, which recom-

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JULY 6, 1957

mends them as "best all-purpose repellents." Their active ingredient is "diethyl toluamide" (an organic chemical).

You may want to ask your family physician about a new drug to combat high blood pressure. Developed by Abbott Laboratories, it contains oil from the safflower and linoleic acid. It's available without prescription, costs \$2.75 a pint.

Playgoers vacationing in Europe this summer who want to see drama off the beaten track, might try hitting the European "straw hat" circuit. Here's a quick round-up of interesting summer theater:

England—The Chester Miracle Plays, first performed in 1327 and said to be the oldest surviving cycle of such dramas, will be played in a 13th-Century cathedral, at Chester, July 15-27.

Scotland—Seventh Summer Festival of Drama will present six well-known plays (including "The Playboy of the Western World") every six days now through Oct. 5, at the Theatre in the Hills, Pitlochry, Perthshire.

France—At the Theatre du Peuple, Bussang, Vosges, legendary dramas and comedies derived from local folkways will be presented every Sunday in August.

Sweden—"Petrus de Dacia," a miracle play, will be performed in the ruins of medieval St. Nicholas Church, at Visby, Isle of Gotland, now through mid-August.

Germany—Two plays of the Austrian dramatist, Hugo Hofmannsthal, are scheduled at Schwabisch Hall (near Stuttgart), now until late August.

Spain—The International Festival of Classical Spanish and foreign drama will be presented at open-air productions, at Santander, Aug. 2 to Sept. 2.

Greece—The Athens Festival has a varied program of classic drama and comedy, at the Theatre of Herodes Atticus (at the foot of the Acropolis), Aug. 1 to Sept. 8.

Yugoslavia—The Summer Festival will present national drama and classics in the open air, at Dubrovnik, now to Aug. 31.

And if you'd like to see some American theater transplanted, there's a strong line-up of recent Broadway hits now playing in London's West End: "Kismet," "Damn Yankees," "Fanny," "Janus," "Tea and Sympathy," "No Time for Sergeants," and "The Chalk Garden."

Now you can add your own hot licks to Music Minus One jazz records and improvise with top-notch professional talent. The three basic records each have eight standard jazz tunes in a variety of slow, medium, and fast tempos. An added feature: The chords, melody line, and lyrics are printed on the record jackets. They cost \$4.98 each.

Need an R for sound slumber?

If so, Funk & Wagnalls has just published a pleasant prescription, by Phyllis Rosenteur, that tells all about sleep and sleepers. It's called Morpheus and Me, costs \$3.95—and makes pretty good late-night reading.



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Scalding steam is a powerful work-saving servant—but let it get out of hand and it can mean sudden death. Yet this valuable, though unruly demon is tamed by a hose that is *absolutely safe*—U. S. Matchless® Steam Hose. This hose cannot burst—even with steam pressures up to 200 pounds. After long, safe service—far longer than ordinary steam hose—the wall structure, instead of bursting, allows a trickle of steam to merely *leak* through—reducing the pressure and giving plenty of notice that a replacement is finally needed. Safety councils give U. S. Matchless their full approval.

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RESEARCH

● During the International Geophysical Year—a mammoth research effort just begun—man will explore the far reaches of space . . .



● U.S. teams perched in icy Antarctica will study the least-known continent's resources, weather, geology . . .



● Oceanographers will seek answers to the riddle of the tides and deep ocean currents—and their influence on weather . . .



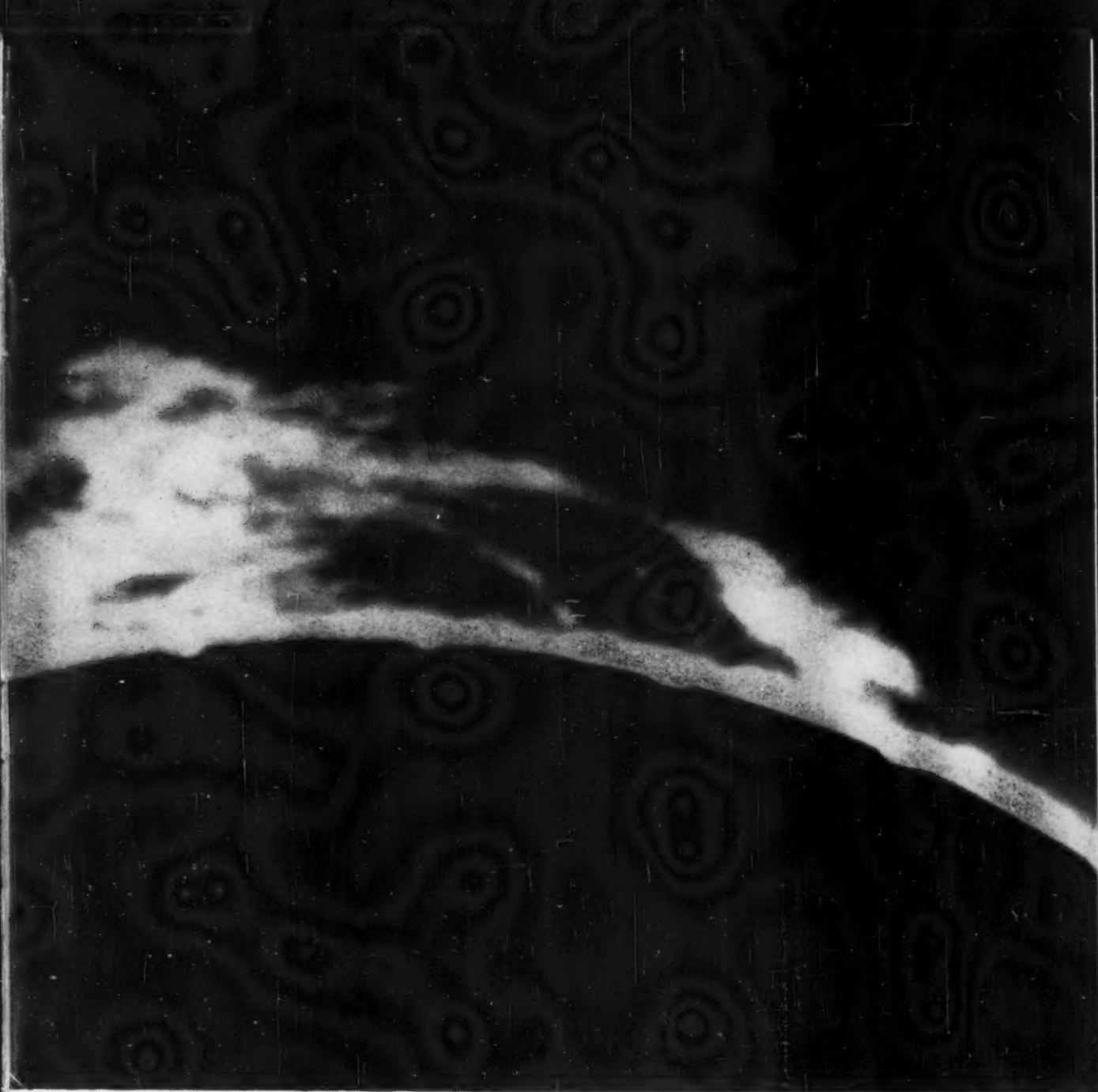
● Seismologists will try to penetrate mysteries inside the earth—including the planet's exact age and depth of its crust.



Science

THE SATELLITE rocket blasting off in a burst of pyrotechnics on the cover is part of the most elaborate and expensive research program man has ever undertaken. The project is the third International Geophysical Year (IGY), and this week marked its start, timed with the eruption of spectacular flares from the surface of the sun (picture, above).

The word "year" makes the title something of a misnomer, since the project will last 18 months. During the 18-month year, scientists by the thou-



Winds Up for Its 18-Month "Year"

sands, in 70 countries, will be participating in an intensive study of the earth and its environs, through coordinated experiments and observation of subjects ranging from earth satellites to the deepest ocean currents.

The result, science hopes, will be better understanding of the earth—and, on the more practical side, improvements in such matters as weather forecasting and radio communications. When it's all over, the bill will come to a record-setting \$500-million, of which the U.S. will contribute \$39-

million, plus almost \$100-million the Defense Dept. is spending for Project Vanguard—the earth satellite program (BW—Apr. 14 '56, p188).

- **The Payoff**—Not even IGY's most enthusiastic supporters can predict all the applications that may stem from the year's additions to knowledge. For example:

- Methods of predicting the behavior of glaciers, even over a relatively short term, could save millions of dollars in roadbuilding costs every year in chilly Alaska and Switzerland.

- Long-range communications may be vastly improved; so may navigational safety.

- Scientists might learn how to eliminate "whistlers" (a high-pitched shriek) and the froglike "dawn chorus" (a low-frequency hum) that jam radio reception.

- It might become possible to bounce television and FM broadcasts off a lofty layer of electrified air and beam them to distant points.

- Oil exploration—now largely hit-or-miss—might be far less costly if IGY



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• Mineral exploration might also be aided by research into such problems as the true age of the earth (now estimated at 44-billion years) and the exact depth of its crust.

I. Year in the Sun

Science has picked on this particular 18-month "year" because of the way the sun is acting up now. Even in ordinary times, the sun emits lots of things besides light—radio waves, cosmic rays, X-rays, for instance. But occasionally, at the peak of its 11-year cycles of activity, it really gets spectacular. Giant flares erupt from its surface (picture, pages 104-5). Mysterious spots appear. Right now is one of those times—and it won't happen again until 1970. As a matter of fact, on the very day this week that IGY began, the earth was obligingly bombarded by particles from an upheaval on the sun—possibly one of the most severe that will occur during the project's 18-month progress. It blanked out radio communications on many long-range circuits.

Observation of the sun's oddities of behavior is important because of a suspicion long held by scientists: that sun flares and sunspots may be directly connected to some of the most awesome happenings on earth—earthquakes, tidal waves, atmospheric storms, droughts, and the like. If this relationship can be established, it may for the first time be possible to predict such cataclysms with real accuracy.

• **Ancestors**—It was to answer questions such as these that the geophysical year was planned. But it isn't the first such event. In 1883, there was an International Polar Year, in which scientists all over the world teamed to collect data on the regions of the North Pole, then little known. The study contributed immensely to man's knowledge of the earth's magnetism and the aurora (northern and southern lights). It was followed half a century later by a second International Polar Year, to fill the remaining chinks.

Because of recent advances in research techniques, however, the third International Geophysical Year should far surpass its predecessors. Virtually all the engineering tools slated for use in the project are new. For example, the laboratory has only recently spawned photoelectric cells and miniature radio and television sets. And scientists are still developing rockets and new seismic techniques (to study earthquakes). The revolutionary earth satellite—undoubtedly the project's most spectacular tool—is undergoing tests (cover), but it has yet to ply a regular course through space.

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cooperation pervades the whole program, doubtless because national boundaries have nothing to do with the sun and space, and great storms blow aside all curtains. The United States National Committee for IGY is only one branch of the total research effort. The U.S. committee will be concerned with 13 different areas of study, which can be divided into three main headings:

- Physics of the upper atmosphere—including rocket and satellite studies, and investigation of the ionosphere (an electrified layer of atmosphere from 25 to 250 miles above the earth), cosmic rays, the aurora, and airglow (a faint luminescence that fills the sky during periods of sunspot and sun flare activity).

- The study of oceans, glaciers, and the weather.

- Study of the earth itself—including research into seismology, the nature of gravity, and latitude and longitude.

- **Zones of Interest**—Geographically, the U.S. will be concerned with research in its own continental limits, Alaska, and, on a cooperative basis, Canada and the South American countries. U.S. scientists will, as well, be studying the waters of the Atlantic and North Pacific Oceans and the 6-million sq. mi. of the Antarctic—where no one has ever before attempted to collect meteorological data on such a scale.

The organization for IGY elsewhere roughly follows the U.S. committee's pattern. There are elaborate plans to coordinate the findings of each nation on all subjects. The areas of study are all aimed at goals of global interest, and in every case they are problems that can best be solved by simultaneous observation and experiment all over the world. No matter how remote the research site, a communications network established for IGY will speed results to coordinating centers to assemble the data.

II. Questions to Answer

The questions science hopes to settle through IGY are myriad. In the field of weather alone, for example, here are some samples:

- Is the world getting warmer as industry pours more and more carbon dioxide into the lower atmosphere?

- How quickly can the oceans absorb these vast quantities of carbon dioxide?

- Is this carbon dioxide being absorbed quickly enough to avoid its upsetting the delicate balance of infrared radiation in the atmosphere?

- If not, is it possible that the result might be melting of the Antarctic glaciers—and a rise in the sea level all around the world?

- **Polar Pursuits**—The U.S. teams in the Antarctic are tackling still another

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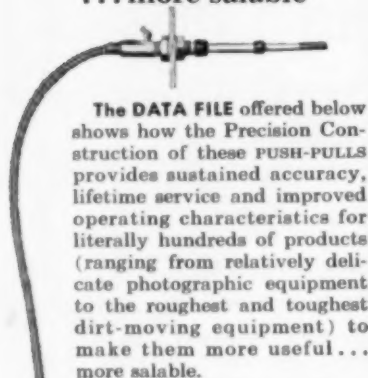
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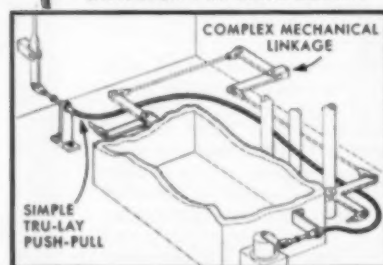
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set of puzzles, including the following:

- Is Antarctica a single land mass under its coating of ice?
- How does Antarctic weather influence weather elsewhere?
- How does the ionosphere behave over the south polar regions (where it is much thinner)—and what does this have to do with radio communications south of the equator?

There are more visionary goals of Antarctic research, too, such as possibly finding mineral wealth beneath the ice—or using the area as a vermin-free storehouse for the world's surplus food supplies.

• **Nature's Fireworks**—The aurora is another subject that will be fascinating the IGY scientists. It has long been known that when the sun erupts with flares, the earth's atmosphere is showered with vastly more particles from space than usual. As a result, magnetic compasses point to a false north pole, and the northern and southern lights occur. Scientists now wonder whether the auroras are a reflection of these particles from the earth's magnetic field, which may act as a gigantic lens.

The aurora isn't the only type of light attributed to atoms of molecules high in the atmosphere, however. The other is airglow. For a long time, scientists have been speculating that the aurora and airglow are quite different things. Airglow, according to the theory that will be tested during IGY, is produced chemically. From telescopic photometric readings, it apparently results from an unusual concentration of infrared particles—with red and green rays emitted from the oxygen atoms in infrared particles, yellow rays from the sodium atoms.

Up to now, no one has been able to establish the relationship between airglow and auroras. During IGY, it may be possible to do so. The studies should also contribute to knowledge of how the atmosphere is composed at the levels where the light appears. There will be an attempt, too, to understand the link—if any—between the earth's magnetic field, the auroras, and airglow.

• **From Outer Space**—The mysteries for IGY to solve include the origin of cosmic rays—atomic-sized particles that bombard the earth, some from the sun, some from unknown reaches of space. An understanding of cosmic rays is vital if space travel is ever to become reality. The ionosphere is full of the rays, and they might be lethal to both men and space ships. Geologists would benefit from data on the behavior of cosmic radiation, because it has had tremendous influence on the deposit of certain minerals on earth. For the same reason, knowledge of cosmic rays might add to man's understanding of what lies inside the earth's core.



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High-altitude tests over the equator have already revealed that cosmic rays consist of streams of electrically-charged particles—mostly protons (which also form the core of hydrogen atoms). The problem during IGY will be to observe changes in the mass, energy, and intensity of these particles.

• **And at Sea**—While this study is in progress, other IGY participants will be investigating currents deep in the ocean—about which practically nothing is known—and the tides.

The oceans cover some 70% of the earth's surface. They act as a sort of huge bank to store up heat, and the fluctuations of this ocean-held heat profoundly influence the weather. If scientists can discover the forces behind the exchange of water—and heat—between the ocean surface and depths, it may be possible to make long-range weather forecasts more accurately.

The study of the tides may provide a better understanding of conditions in all the world's seaports—and of coastal flooding. It may also help man estimate the quantities of fish and other foods that can be harvested from the seas and find out whether radioactive wastes can be safely disposed of on the ocean floor.

III. How to Do It

To help answer these questions, the U.S. has mustered all the scientific tools at its command. Glaciologists will drill holes 1,000 ft. or more deep into glaciers, to estimate the age of ice layers. Meteorologists will resort to balloons to gain information on pressures, temperatures, humidity, and winds at all possible altitudes. Rockets will be fired from land bases in Canada and New Mexico, from shipboard off the Arctic and Antarctic coasts, and from equatorial regions.

• **Crash Program**—But although rockets can gather much valuable data, their flight is short, and they can only cover a limited area. So IGY scientists are embarked on a crash program to develop a man-made moon—or earth satellite—to cruise along an orbit around the earth and collect data.

According to present plans, the U.S. will launch six to ten satellites during the next 18 months. Each will contain instruments to analyze such matters as cosmic and solar radiation, micrometeorites, and the composition of the ionosphere.

But even without instruments, the earth satellite would be valuable to research. Tracking cameras could plot the direction and speed of its flight; variations in its velocity and orbit would reveal vital information about the density of the upper atmosphere, the true shape of the earth, and the distribution of its mass.

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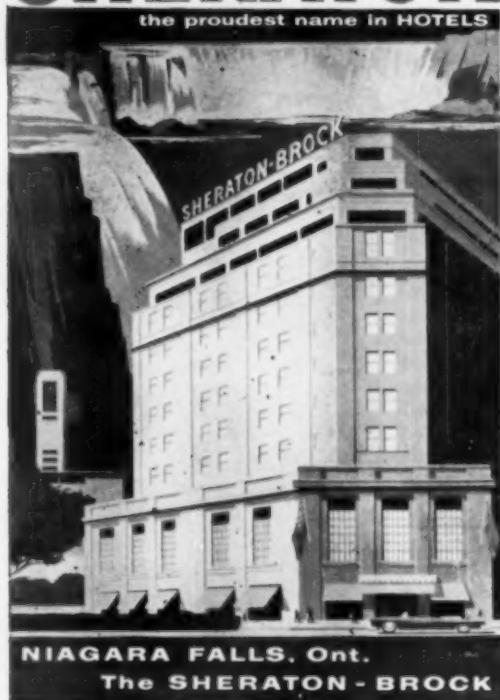
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position, from different spots around the world, would locate reference points on the earth's surface precisely for the first time. This would make it possible to eliminate present errors in world maps.

RESEARCH BRIEFS

Treatment of cancer may be aided by a new technique to block off the pituitary gland, perfected by Dr. Gordon Dugger, assistant professor of surgery at the University of North Carolina School of Medicine. Researchers think the growth of certain types of cancer depends on the body's hormone environment. Although canceling out the function of the pituitary—which is related to hormones—doesn't cure cancer, it tends to slow its development.

Power from fusion—the basic process of the hydrogen bomb—is the goal of a research project now officially under way at General Electric Co. According to Dr. Guy Suits, GE vice-president and director of research, the studies so far have produced more hope than power. But, in 10 years, GE expects to develop safe and inexpensive power by the fusion method.

Europe's first research reactor under private ownership and operation will be designed and built by AMF Atomics, a division of American Machine & Foundry Co. The reactor will be operated by SORIN (Societa Ricerche Impianti Nucleari), jointly owned by the Italian industrial groups Fiat and Montecatini.

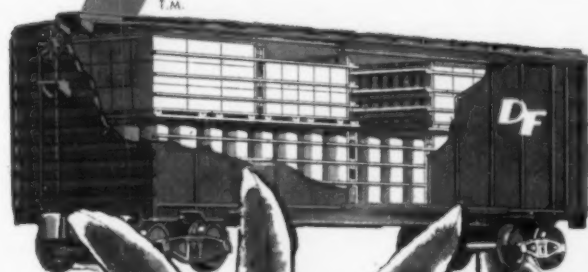
Radioactive gold has been used to make fuel burn faster in aircraft and rocket engines at the University of Michigan. Propane gas was directed through a nest of radioactive gold wire, then ignited. Result: It burned 50% faster than ordinary propane gas.

One form of bronchopneumonia in animals, previously incurable, has been conquered by a new drug developed by Britain's Imperial Chemical Industries, Ltd. The disease in cattle costs farmers millions of dollars annually. Caused by worms that live and breed in the animal's lungs and other air passages, it can now be treated by a chemical called Helmox.

A new way to desulphurize iron has been developed by Battelle Institute scientists in a research program for Diamond Alkali Co. of Cleveland. Under laboratory conditions, the process has achieved 90% reductions in sulphur content of pig iron before its conversion into steel.

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Fuel cost survey proves coal best for Poinsett Hotel

The Poinsett Hotel, Greenville, S.C., recently decided to increase steam capacity by adding a new boiler in its power plant. At the time, management asked its consultants, The McPherson Company, of Greenville, to analyze costs of all three types of fuel available in that area. On the basis of cost per thousand pounds of steam, the other two fuels proved to cost 25% more than bituminous coal. According to The McPherson Company, "The net result of this study indicated that by continuing with the use of bituminous coal the owners would save on both the initial investment and on operating costs."

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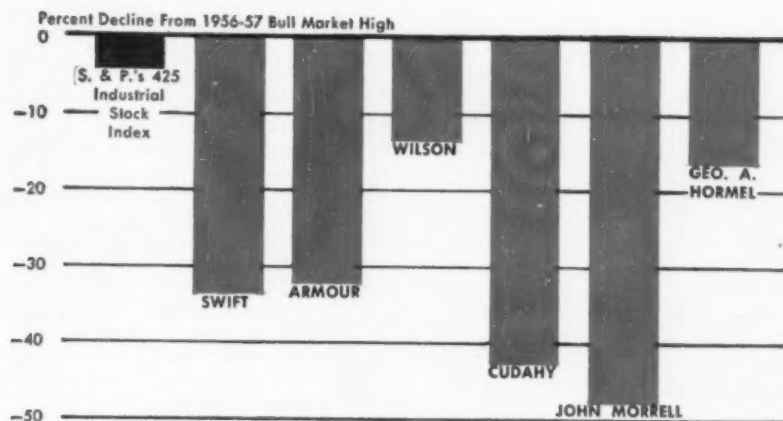
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FINANCE

Meat Packing Stocks have gone rancid . . .



. . . as a hog shortage pinched earnings in the first half

	Per Share Earnings 6 Months Ending Apr. 30		Percent Change
	1957	1956	
Swift & Co.	\$0.60	\$1.86	-67.7
Armour Co.	0.27	2.34	-88.5
Wilson & Co.	1.00	1.97	-49.2
Cudahy Packing	0.37	2.06	-82.0
Morrell, John & Co.	2.94	0.84	-
Geo. A. Hormel & Co.	0.21	0.44	-52.3

D - Deficit

Investors Shun the Taste

Squeeze in pork dries up meat packers' profits—but industry sees signs of a partial recovery by yearend.

WHILE THE STOCK market churns about not far from its all-time high, the meat packing shares have been staging their own little depression (chart).

You don't have to look far to find the reason. At the moment at least, the meat packing trade represents one of the "softest" of the soft spots increasingly noticeable of late in the economy. The industry traditionally suffers from severe competition and low profit margins. But this year a pork

shortage has exerted a powerful added downpull on profits.

During the first half (ending last April) of the current fiscal year, earnings nosedived anywhere from 47% below the year-earlier period in the case of Wilson & Co. to a highly painful 88% for Armour & Co. Only last week, John Morrell & Co. passed its usual 25¢ quarterly dividend.

• **Fiasco in Hogs**—It's the slide in pork profits that gets most of the blame for the earnings drop. The hog shortage came about this year because the "hog-corn" ratio fell below par last year—farmers, in other words, found it more profitable to sell their corn than to feed it to their hogs. Though the decline in hog marketings came statistically to only 13% in the six months

ending last April, this cuts a far bigger slice out of packers' profits.

That's because the packers, in order to make sure of supplies for their processing capacity, had to bid up the price to get the hogs they needed. This spring they were paying some 30% to 40% more than a year earlier. Naturally, their gripes were loud—for with wholesale pork prices edging up only around 20%, profits of the pork business vanished or at best were ground down to a low figure. But there was little any individual packer could do about it. Not to bid for the scarce hogs would have been worse; by keeping their plants going, they could at least defray most of their fixed overhead (and on the pork side of the packing business, overhead is heavy).

• **Dead Weight**—The slide in pork operations dragged the industry's overall profit figures along with it, though many companies rang up sales increases.

Swift & Co., the nation's biggest meat packer, suffered a decline in profits to \$3.6-million in the first half of its current fiscal year from \$11-million in the first half of fiscal 1956. This was despite a 3% gain in sales. Armour & Co., the No. 2 packer, had a meager 1% drop in sales in the same period—but profits tumbled from \$10.5-million to \$1.3-million.

Wilson & Co. was least affected among the big companies—largely because about one-fourth of its business is in a non-meat line, sporting goods. (Wall Street wisacres say its specialties are "meat balls and golf balls.") Even so, its earnings dropped from \$4.8-million to \$2.6-million—against a 4% rise in sales. Cudahy Packing Co. eased part of its pain with some tax carryforward credits. Its per share earnings fell from \$2.06 to \$0.37 even with the credits—but without them Cudahy would have earned only \$1.14 this year against \$96 a year earlier. Its sales were up 14%.

• **Light in the Gloom**—All in all, it was a dismal first-half showing. Yet the industry's leaders see a couple of mitigating bright spots in the picture.

For one thing, meat packers' earnings traditionally zig and zag from quarter to quarter, and a bad six months doesn't necessarily mean disaster. Packers have always opposed reporting results on anything shorter than an annual basis, but last year the Securities & Exchange Commission required them to start semiannual reports.

Besides that, comparisons with 1956 put this year's figure at a disadvantage. The 1956 fiscal year—which ended last October—was an exceptionally good one in a chronically feast-or-famine industry. It was a record year for meat output. Earnings were swelled particularly by a large hog crop—the same product that caused trouble this year by its scarcity.

When you look at the years before

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1956, the present low returns seem considerably less calamitous. Cudahy, for example, is running in the black now; a few years ago it was incurring big losses that finally forced it into a comprehensive revamping of its operations.

• **Short-Range Optimism**—Most packers are quite sanguine over the trade's prospects in the second fiscal half-year now under way. Wilson & Co.'s Pres. James D. Cooney looks for "somewhat larger hog supplies than a year earlier." And he expects "an over-all level of meat production essentially the same as last year—in contrast with a 7% decline during the first six months of the current fiscal year."

The American Meat Institute is equally optimistic. As it sees the picture, meat production should rebound by year-end to a total only slightly under last year's record.

• **Long-Range Problems**—These generally rosy hopes for the second half carry with them, however—by the industry's own admission—little prospect of relief from its basic problems.

A Chicago Federal Reserve Board observer comments that: "The meat industry, like agriculture, tends toward perpetual excess capacity." This, he explains, is probably because—despite the high overhead in the pork end—in the industry as a whole it doesn't take much capital to break in.

Diversification into new byproducts, he feels, does not in fact provide the solution it seems at first glance to offer. Packers, he points out, have learned to their sorrow that almost as soon as they develop a profit-promising sideline such as cortisone or ACTH, the chemical industry quickly learns to synthesize it at lower cost.

The industry is trying other ways, too, to get out of its squeeze. One is modernizing plants. Another is moving plants away from Chicago, closer to sources of supply (Armour sold a Windy City sausage plant just about a month ago). Packers are also learning to lease rather than own plants, so they can follow the flocks and herds, whenever the economics of livestock raising dictate a better plant location.

Modern refrigeration methods have cut inventory losses (gone is the trade quip: "Sell it or smell it"). Selective breeding results in leaner, more salable meat. Antibiotics mixed with feed are helping improve meat quality as well as quantity.

Swift, Armour, Wilson, and Cudahy think they could better their lot if the courts would grant partial relief from the consent decree of 1920 that fences them in (BW-Dec.22'56,p54). The decree prohibited them from operating in 140 complementary lines—principally vegetables, fruit, fish, and produce (and from operating their own retail meat stores). They argue that they could

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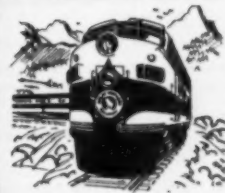
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better utilize their refrigerated warehouses and other equipment if the restrictions were lifted or modified.

Another thing that could bring the packing industry out of its depressed status would be a speeding up of the long-term trend toward higher per capita meat consumption. But here, again, 1957 will be a year of setback. Because of consumer resistance to higher pork prices, the American Meat Institute figures, total meat consumption per person will drop 6 lb. or 7 lb. below last year's 163.7 lb. (the average American last year ate \$44 worth of beef, \$29 worth of pork).

FINANCE BRIEFS

The Canadian dollar keeps climbing; last week it reached \$1.0505 in U.S. money, the highest ratio since November, 1933. Heavy Canadian demand for U.S. capital is behind the rise. Canadian securities sold south of the border are paid for in U.S. dollars, which must be converted into Canadian money to be spent in Canada.

Calling off of bond sales continues, under pressure of high interest rates. In Louisiana and Virginia, sale of \$21.5-million in school and university bonds have been canceled. Fairfax County, Virginia, turned down all bids on \$4-million of school obligations because the best price offered amounted to an interest charge of 4.6%.

Fewer seats on the Big Board? The Governors of the New York Stock Exchange have voted to ask the members to authorize the retirement of 25 seats by the end of 1962. If the move is O.K'd, 75 seats in all will be retired since the original cuts started on Jan. 1, 1953. At that time there were 1,375 seats; currently there are 1,366.

Life insurance in force at the end of 1956 was \$412.6-billion, up \$40.3-billion during the year, says the Institute of Life Insurance.

Policyholders of the Mutual Life Insurance Co. of New York have an extra inducement to pay their premiums in advance. The company has boosted its prepayment discount to 3½% per year, from 2½%. Many other insurance companies have hiked discounts under pressure of high rates on savings, but the earlier raises have mostly been to 3%.

Pennsylvania has rejected pleas for higher rates by fire insurance companies operating in Pennsylvania. Many companies have suffered record underwriting losses (BW—Mar.16'57, p139).

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Where Partisan "Studies" Break Down

There's value in the Congressional inquiries that are looking into the roles played by monetary and fiscal policy in maintaining economic stability. The searchlight of publicity has focused public attention on problems that are usually left to technical experts. That in itself is important.

There are also dangers in this kind of examination. The Democrats in Congress are out to embarrass the Administration. This leads to oversimplification of a complex problem. Those who oppose the Federal Reserve's general and indirect controls over credit as being ineffective and inequitable have been labeled inflationists. And those who support the Fed's position are described as being in favor of a "ruinous policy" that is profitable only to a small group of lenders.

This is the kind of black-and-white picture that is emerging from the hearings of the Senate Finance Committee headed by Sen. Harry F. Byrd (D-Va.). Although billed as a full-scale study of our fiscal and monetary system, they have so far been little more than a political tug of war.

The Subcommittee on Fiscal Policy of the Joint Economic Committee, headed by Rep. Wilbur D. Mills (D-Ark.), has been much more circumspect in its inquiry (BW—Jun.29'57,p44). Its report supports the Fed's tight money policy and states that taxes should not be reduced so long as the economy is faced with inflationary pressure.

Yet the report makes clear that present monetary and fiscal weapons are not altogether adequate. It points out that monetary policy, not fiscal policy, is the main weapon being used to combat inflation. And it adds that general credit controls "have not been fully effective in curbing pressures for widespread price increases."

Thus, while the Congressional hearings will not by themselves provide any answers, they do make clear that more careful study of the roles of monetary and fiscal policy is needed. As Mills' report itself states, proper policies depend on "the findings of objective and dispassionate inquiries."

This was the President's intention when he recommended that a private group of experts conduct a study. In its effort to make some political capital out of tight money, Congress has taken over the job on its own. But it has only succeeded in pointing up the need for a basic and objective examination.

The National Bureau of Economic Research is the latest organization to support a full-scale study. It suggests that one aim of an objective study should be to "outline the basic structure of the system for the enlightenment of the general public."

This should be an essential part of any inquiry. The argument over tight money should be preceded

by a more thorough understanding of just what we are arguing about. This can not be done in the heat of a Senate inquiry where election campaigns are always just around the corner. It can only be accomplished by a non-partisan group that is not subject to any kind of outside pressure.

Investing Abroad

Almost a year after its creation, the International Finance Corp. has finally broken the ice with its first foreign investment (BW—Jun.22'57,p125). The IFC has thus begun its experiment to see whether its example will have a multiplier effect on private capital.

The IFC has been criticized for its lack of speed in getting its funds invested. But as its president, Robert L. Garner, points out, its function is to prove that foreign investment is profitable.

This is a sensible businesslike approach. The way in which IFC has got its feet wet should convince investors that foreign ventures need not be a reckless plunge but a sound and profitable policy.

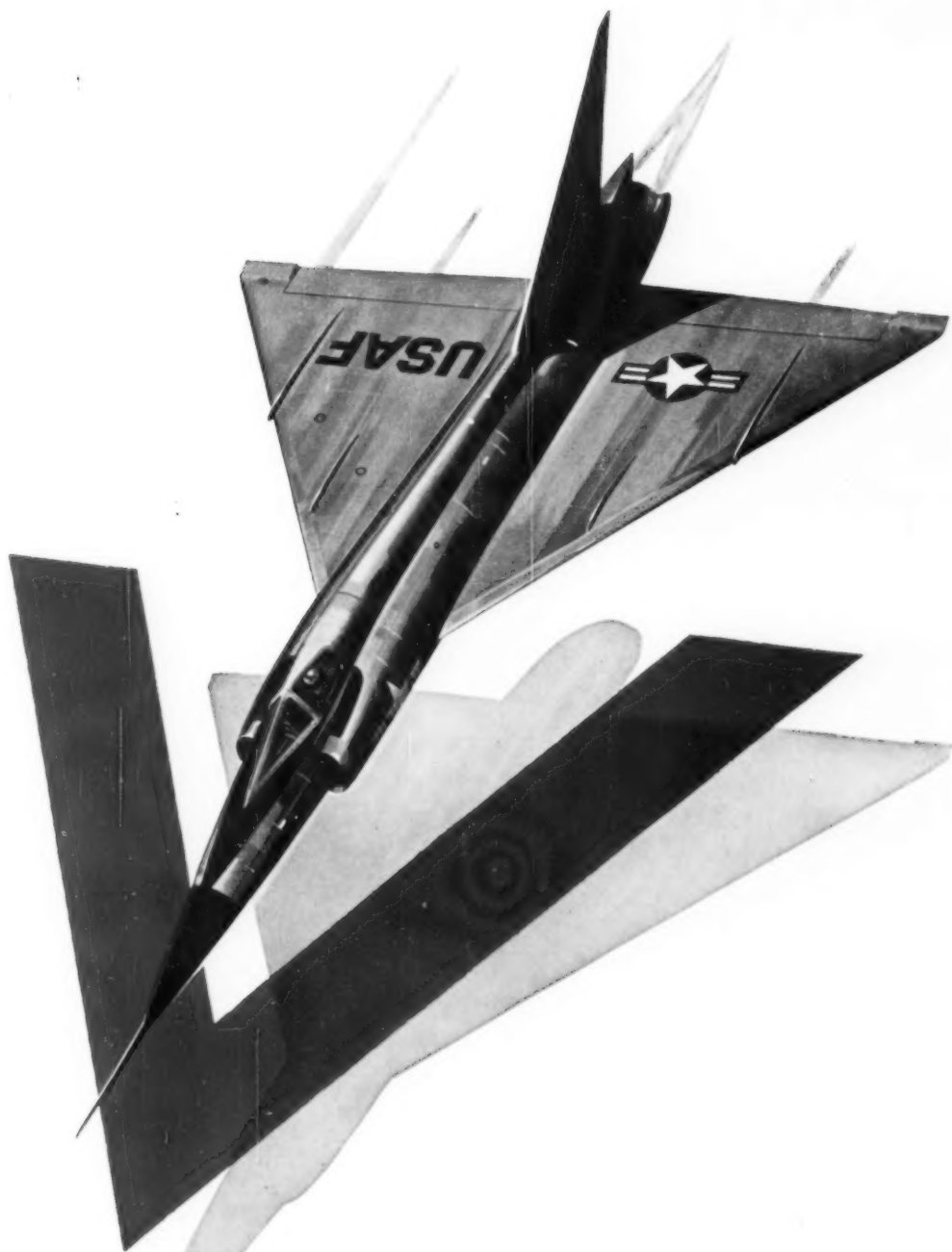
Backing OTC

Pressure is building up in this country for some affirmative action by Congress on OTC—the proposed Organization for Trade Cooperation. It's coming from several private groups that have a special interest in foreign trade and overseas business operations, notably the U.S. Council of the International Chamber of Commerce, the Committee for a National Trade Policy, and the newly formed Americans for OTC.

The members of these groups are convinced that OTC is an indispensable addition to GATT (General Agreement on Tariffs and Trade) if that organization is to give adequate protection to American business interests abroad. The problem of American membership has become especially urgent, they argue, now that Europe is moving toward an integrated market (BW—Jun.29'57,p70).

The backers of OTC are pressing for early action by Congress on a bill that would authorize U.S. membership in the new trade body. They are fighting to get it far enough along in the House so that it can go to the Senate early next year. Otherwise, they feel, the OTC issue will become entangled in the debate over the Trade Agreements Act, which comes up for renewal next June.

We find it hard to quarrel with the position taken by the other private organizations that are supporting OTC. Congress should stop its dilly-dallying and get down to business on the measure.



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